FINANCIAL TIMES

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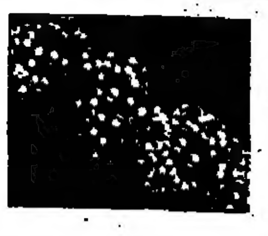
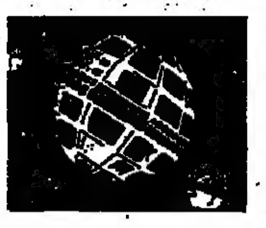


Food politics
Genetically modified trade wars
Guy de Jonquières Page 11

Cape Town
Restoring District Six as a multi-racial model
Page 7



Space enterprise
To boldly go and make a bundle
Page 18

French banking
Crédit Lyonnais set to be third big group
Page 14

WORLD NEWS

Chirac in move to sway US policy on exchange rates

French president Jacques Chirac will today try to bridge the wide gap between the US and the euro-zone over exchange rate policy ahead of a meeting of the Group of Seven industrialised countries. **Europe, Page 2; Editorial Comment, Page 11**

Romanian miners' leader arrested Romanian police arrested Miron Cozma, militant leader of the country's coal miners, amid violent clashes with thousands of miners. **Europe, Page 3**

Israel could risk US sanctions Israel risks sanctions under US trade law unless it enforces legislation to combat pirated music, software and compact discs, US diplomats warned. **Page 12**

Banana dispute erupts again The US and the European Union crossed swords over bananas again when Brussels asked for a World Trade Organisation panel to rule on a law that provides for unilateral trade sanctions. **World trade, Page 4**

Pakistan to begin debt talks Pakistan is to begin formal talks with commercial bank creditors on rescheduling $800m in debt. **Page 12; Warning for bond investors, Page 6; Capital markets, Page 20**

Treaty on Ukraine borders ratified Russia's federation council, the upper house of parliament, ratified an historic 1997 treaty recognising the territorial sovereignty of neighbouring Ukraine. **Europe, Page 3**

Indonesia to ban monopolies Indonesia is to break with some of the worst economic distortions of former president Suharto's rule by banning monopolies. **Asia-Pacific, Page 6**

EU hopes to resume aid to Moscow European Union officials hope to be able to eliminate obstacles that have prevented them from sending food aid to Russia at a Moscow summit meeting. **Europe, Page 3**

Clarifications over Lockerbie trial Kofi Annan, United Nations secretary-general, is to write to Libya with clarifications about arrangements for the trial of two suspects in the 1988 bombing of a Pan Am airliner over Lockerbie, Scotland. **International, Page 7**

Poland ratifies Nato entry Poland ratified the agreement providing for its entry into Nato, clearing the way for its accession to the western alliance. **Europe, Page 2**

Tashkent on guard after bombs Soldiers were guarding key buildings in Uzbekistan's capital Tashkent following bomb attacks that killed at least 15 people. **International, Page 7**

Obasanjo picks running mate Atiku Abubakar, a prominent politician from northern Nigeria, was named as running mate to the former military ruler, Olusegun Obasanjo, in presidential elections. **International, Page 7**

Sierra Leone fighting sparks exodus A battle for the town of Kambia in Sierra Leone has triggered an exodus of thousands of civilians from the area, aid workers said.

BUSINESS NEWS

Software AG could raise up to $560m in big European IPO

Software AG, the German enterprise systems producer, announced details of what is expected to be Europe's largest software industry stock market launch. The IPO, due in the second quarter, is expected to raise at least DM1bn ($500m). **Companies and markets, Page 13**

Asia-Scania, Swedish heavy truck manufacturer, reiterated its opposition to a potential takeover from rival Volvo, and unveiled an 18 per cent increase in full-year profits. **European companies, Page 14; Pacific companies, Page 15**

BP Amoco, recently merged oil group, is to accelerate its integration to try to deliver $2bn of projected cost savings within 12 months, almost a year earlier than forecast. **Companies and markets, Page 13; Lex, Page 12**

HJ Heinz, US food company, plans to cut as many as 4,000 jobs from its worldwide workforce of 40,000 over the next four years as part of a wide-ranging restructuring. **Companies and markets, Page 13**

Danka Business Systems, troubled photocopier supplier, last night surprised the market with news of a $236.2m restructuring charge, which pushed third-quarter losses to $320.8m and will lead to 1,400 job losses. **UK companies, Page 17**

NEC president Hisashi Kaneko is likely to face pressure to resign at an extraordinary board meeting on Friday when Japan's largest personal computer manufacturer is expected to report huge losses. **Companies and markets, Page 13**

A Microsoft executive accused rival Netscape Communications of fabricating allegations of an illegal attempt to carve up the market in Internet software. **US and Canada, Page 5**

AT&T shareholders approved the US long-distance telecommunications group's $48bn purchase of cable television company Tele-Communications Inc in a move to create a one-stop shop for phone, Internet and cable television. **US companies, Page 16**

Asian Development Bank and the World Bank are considering guaranteeing an Indonesian debt issue, which would make a costly bank bail-out possible without the country's debt ballooning. **Asia-Pacific, Page 6**

Starwood Hotels of the US, aims to increase its hotels by 45 per cent to more than 1,000 properties. **US companies, Page 16**

Deutsche Bank of Germany reported better than expected profits for 1998 and indicated it had recovered from the battering inflicted by the financial turmoil in Asia and Russia. **European companies, Page 14**

Euro Prices
[illegible] guide to the [illegible] covering foreign [illegible] markets.
Page [illegible]

Germany set for battle with ECB over rate cut plea

By Tony Barber in Frankfurt, Gerard Baker in Washington, Peter Norman in Brussels and Gillian Tett in Tokyo

Germany and the European Central Bank face a tense confrontation as Oskar Lafontaine, German finance minister, is expected to set out the case for stimulating the euro-zone economy at an ECB meeting today.

Mr Lafontaine contends that Germany, which represents about 35 per cent of the 11-nation euro-zone economy, needs a rate cut or a fiscal stimulus because the financial and economic crises in Asia, Russia and Latin America have damaged German growth and kept unemployment at more than 4m. His deputy, Heiner Flassbeck, told the European Parliament's monetary affairs committee yesterday that a sharp decline in global growth had sent a shock through Europe that was depressing domestic demand.

But economists believe the ECB's policymaking governing council is likely to resist recent calls from centre-left governments in Germany and France to reduce rates in the euro-zone.

The ECB meeting will set the scene for tough discussions at this weekend's gathering of finance ministers and central bank governors from the Group of Seven industrialised nations about how to stimulate global economic growth.

Robert Rubin, US Treasury secretary, indicated yesterday that the US would use the G7 meeting to urge Europe and Japan to promote domestic demand-led growth.

Economists said the shock to the German economy had been so great that it might even have contracted in the last three months of 1998. The Ifo index of west German business confidence has also fallen for seven successive months, though some economists believe the index for January, to be published tomorrow, will show a modest improvement.

Mr Rubin warned yesterday that the US could not keep the world economy afloat forever. "The international system cannot sustain indefinitely the large current account imbalances created by the disparities in growth and openness between the US and its major trading partners."

He also said the US would reject calls from European leaders for exchange rate target zones between the main currencies. "If our currency is weak at the time when our economy is weak ... we would then be required under that theory ... to raise interest rates at the very time that our economy is weak. That seems to us counter-productive," he said, in a pointed response to calls by Jacques Chirac, the French president, for greater efforts to stabilise currencies.

In an article in yesterday's Wall Street Journal, Mr Chirac, who begins a two-day visit to the US today, said sustainable growth in the US, Europe and Japan "depends on stability between our currencies".

Meanwhile, Eisuke Sakakibara, Japan's vice-minister of finance for international affairs, admitted it was "natural for the yen to weaken as a result of the very dramatic easing of monetary policy".

INSIDE

Chirac in US overture	Page 2
BoJ 'ready' to pump liquidity	Page 8
Editorial Comment	Page 11
Observer	Page 11

Duty free sales to end as EU defies Germany and UK

By Emma Tucker in Brussels

The European Commission clashed with Germany and the UK yesterday after it defied their calls to extend the life of duty free sales for travellers inside the European Union.

The decision to kill off the tax concession at mid-year was described by Gerhard Schröder, the German chancellor, as "incomprehensible" because of implications for job losses, particularly in coastal regions with high unemployment.

Mr Schröder said the duty free regime, which allows alcohol and tobacco to be sold free of excise duty inside the EU in airports, ferries and aircraft, should be extended for up to five years to allow the industry to adjust.

He promised to put the issue on the agenda of next month's summit of European Union leaders in Berlin unless the Commission presented acceptable proposals for an extension to finance ministers on March 15.

At their December summit in Vienna, EU heads of government asked the Brussels executive to look again at the regime and to assess the impact of its abolition on employment.

A report by the Commission conceded that some jobs would go. But it said these would be offset by efficiencies generated from scrapping the subsidy implicit in duty free.

Mr Schröder said the Commission's refusal to extend the life of duty free "conformed in no way" with the instructions given by the Vienna summit.

Any reprieve for duty free sales would require the unanimous agreement of all 15 EU member states to undo a 1991 decision to end the sales this June. Denmark, Belgium and the Netherlands have said that they would oppose extending the deadline.

The Commission announcement also provoked warnings from the duty free lobby that chaos would ensue on ferries and aeroplanes when intra-EU duty free sales are scrapped.

Dawn Primarolo, the UK paymaster general, said the proposed successor regime was to duty free was "fraught with problems".

She added: "We don't believe the commission has taken proper account of these difficulties. We also need to return to this debate with them, which also includes the question of whether or not the regime is abolished at the end of June."

Lobby groups said the successor regime, under which excise rates on alcohol, tobacco and luxury goods will change halfway between two EU countries, was "ludicrous".

But Mario Monti, the single market commissioner, insisted the rules after June were straightforward.

Lex, Page 12

Abdullah Ocalan, Kurdish leader, was flown to Turkey under heavy guard on Monday after his capture in Nairobi AP

Kurds turn fury on Israel after protesters are killed

Security guards shoot three as Berlin consulate is stormed

By Frederick Stüdemann in Berlin and Judy Dempsey in Jerusalem

The focus of Kurdish fury over the arrest of guerrilla leader Abdullah Ocalan switched to Israel yesterday after three protesters were shot dead outside the Israeli consulate in Berlin.

Israeli security guards opened fire as demonstrators attempted to break into the consulate, succeedingly briefly in taking one person hostage.

The deaths came as Kurds occupied embassies and political party headquarters across Europe for a second day in response to Monday's capture and return to Turkey for trial of Mr Ocalan, leader of the Kurdish Workers' Party (PKK).

Gerhard Schröder, German chancellor, warned the country's 500,000 Kurds the authorities would take decisive action against any further acts of violence.

"We cannot tolerate conflicts being carried out on German streets which are not our conflicts," he said.

The protesters had targeted the consulate after reports that Mossad, the Israeli intelligence service, was involved in Mr Ocalan's capture. The German-based Ozgur Politika newspaper, close to the rebels, called the capture of Mr Ocalan in Kenya "the product of a CIA-Mossad plot" in its main headline yesterday.

Speaking at an election rally, Benjamin Netanyahu, the Israeli prime minister, insisted Israel had no part in the capture of Mr Ocalan. "We know that there is an attempt to frame us with false accusations on this matter. I want to make clear again today, the State of Israel had no party in Ocalan's capture."

Israel had on Tuesday issued an unusual preemptive denial of its involvement in the Ocalan affair. Government officials said this was necessary because of Israel's close relationship with Turkey. The two countries have co-operated in upgrading Turkey's airforce, in defence contracts, the combat of terrorism and other areas.

Mr Netanyahu also expressed his regrets for the loss of life outside the Berlin consulate, but said the Israeli guards had acted in self defence.

A Berlin police spokesman said "about 55 Kurds tried to enter the building which lead to a clash. Several shots were fired."

Two Kurds died immediately while one died later in hospital. Sixteen people were reported wounded and police said further fatalities were possible. More than 100 demonstrators were arrested.

Mr Netanyahu said the consulate in Berlin was attacked by "tens, maybe more people, many holding hammers and clubs."

He said they climbed on to the bars of the building, entered the compound of the embassy and then got through the German guards.

He also confirmed that one Israeli official was taken hostage, but later released.

Israel yesterday closed its embassies across Europe and stepped up security.

Speedy trial pledge, Page 2

WORLD MARKETS

STOCK MARKET INDICES		
New York Lunchtime		
Dow Jones Ind Av	9331.16	(+34.13)
NASDAQ Composite	2296.35	(-16.49)
Europe and Far East		
CAC40	3965.49	(-65.63)
DAX	4910.09	(-94.59)
FTSE 100	6079.4	(-50.2)
FTSE Eurotop 300	1197.51	(-11.69)
Nikkei	14158.67	(-73.97)
US Lunchtime RATES		
Federal Funds	4¾%	
3-mth Treas Bills: Yld	4.59%	
Long Bond	96⅞%	
Yield	5.32%	
OTHER RATES		
UK 3-mo Interbank	5⅞%	(5⅞%)
UK 10 yr Gilt	134.77	(134.84)
Euro Euribor	3.086%	(3.092%)
Germany 10 yr Bund	106.65	(106.15)
Japan 10 yr JGB	98.949	(98.436)
NORTH SEA OIL (Argus)		
Brent Dated	$10.06	(9.96)

GOLD		
New York Comex		
	$285.9	(286.9)
London		
	$285.15	(285.25)
DOLLAR		
New York Lunchtime		
£	1.6355	
€	0.8892	
SFr	1.4237	
Y	118.955	
London		
£	1.6358	(1.6285)
€	0.8902	(0.8946)
SFr	1.4226	(1.4301)
Y	118.895	(118.175)
Tokyo Close		Y 118.35
EURO (London)		
$	1.1238	(1.118)
£	0.6867	(0.6844)
Y	133.555	(132.12)
SFr	1.5981	(1.5989)

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Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr265	Oman	OR1.75
Belgium	BFr90 (€2.23)	Italy	L3900 (€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320 (€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.65	South Africa	R15
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325 (€1.95)
Finland	FmK13.00 (€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00 (€2.13)	Luxembourg	LFr90 (€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£60.00
Greece	Dr600	Netherlands	Fl 4.80 (€2.18)	Tunisia	Din2.000
Hungary	Ft300	Norway	NKr19.00	UAE	Dh13.00

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CONTENTS

Full contents and Lex: back page

Chirac in US overture on foreign exchange policy

By Robert Graham in Paris

President Jacques Chirac will today try to bridge the wide gap between the US and the euro-zone over exchange rate policy and architecture for the international financial system ahead of a meeting of the Group of Seven industrialised countries.

The initiative is at the centre of a two-day working visit to the US by Mr Chirac, beginning today.

"Our basic aim is to convince the Americans that the euro is not competing against the dollar," a presidential aide said yesterday. "We also want them to understand that, with the emergence of the euro, we feel we now share new joint responsibilities, along with the Japanese, for international financial stability."

The French president's trip is the first US visit by a leader of the 11-nation euro-zone since the advent of the single currency in January. He will be accompanied by Dominique Strauss Kahn, finance minister.

Mr Chirac's visit comes ahead of the meeting this Saturday in Bonn of G7 finance ministers, which will discuss the same topics.

France is anxious to reassure the US treasury and the Federal Reserve that the euro-zone is not pressing to establish formal target zones to ensure exchange rate stability between the euro, dollar and the yen.

Paris recognises that Washington has been alarmed by proposals to establish target zones made by Oskar Lafontaine, German finance minister. But the French want to persuade the Americans to back a system of "enhanced co-operation" to monitor euro/dollar exchange rates more closely.

Both Mr Chirac and the Socialist government believe that only such a system can steer the euro/dollar exchange rate between the pitfalls of benign neglect and confrontation. "At the moment, the Americans are continuing to tell us it is sufficient to put in place sound macro-economic policies," a French official said.

Mr Chirac will also be seeking to win the US around to proposals to convert the IMF's interim committee into an executive council, responsible for monitoring the international financial system. The US regards this as unnecessary, arguing the group of 22 industrial and emerging countries is a sufficient forum.

A report on controlling hedge funds drawn up by Hans Tietmeyer, president of the German Bundesbank, may also be a source of friction. The report is due to be presented at the G7 meeting in Bonn. The French are thought to be concerned that the report is too anodyne, although its relatively hands-off approach is expected to appeal to the US.

However, the French admit they face an uphill task in projecting the euro-zone's diplomatic weight when the region's economy is slowing down and the US continues to sustain its long growth cycle.

Chirac yesterday in Paris on the eve of his US visit AP

Banking dispute embroils Hungary

By Robert Wright in Budapest

A jurisdictional dispute over the supervision of Hungarian banks has opened a rift between the country's finance minister and the head of the central bank.

A cabinet meeting today is due to decide whether Imre Tarafas, president of the State Finance and Capital Market Supervision Board, should be dismissed because of his board's failure to prevent the collapse of Hungary's second biggest retail bank, a smaller bank and a number of brokerage houses.

The dispute has divided Zsigmond Jarai, finance minister, and Gyorgy Suranyi, head of the National Bank.

Mr Jarai's appointment after last May's election was seen as a reassurance to western investors in Hungary. Mr Jarai, who had no previous involvement in politics, was head of the Budapest Stock Exchange before joining the government.

Mr Suranyi was also in charge of the central bank, which is independent, under the previous Socialist party government.

There had been fears that the general election, which brought to power a centre-right coalition led by the Fidesz Hungarian Civic party, would reverse some of the economic changes credited by western investors with restoring the country's economy to growth.

The present dispute started over a report ordered by Mr Jarai into the conduct of the supervision board in monitoring both Postabank, Hungary's second largest retail bank, and Realbank, a much smaller competitor.

Postabank was renationalised after the general election and recapitalised with Ft125bn ($564m) of state money. State guarantees of some loans added a further Ft71bn to the state's exposure. The sum involved is equivalent to 2 per cent of the country's gross domestic product. Realbank was declared insolvent in January.

In its annual report on Hungary, the Organisation for Economic Co-operation and Development warned that the bank collapses showed the supervision board had not acted soon enough and may be struggling to cope.

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Ankara pledges speedy Ocalan trial

By Leyla Boulton in Ankara

The astonishing sight yesterday of a captive Abdullah Ocalan, leader of the PKK Kurdish guerilla movement, having a blindfold removed from his face and announcing that he loved "Turkey and the Turkish people" seemed almost too good to be true to a jubilant Turkish public.

But as Turkish security forces began interrogating Mr Ocalan at an island prison on the sea of Marmara near Istanbul, few Turks were bothering to ask questions about what happens next to Turkey's most wanted man.

The extraordinary television footage of Mr Ocalan was shot as he was flown to Turkey on Monday night after being seized in a cloak and dagger operation in Nairobi.

Turkey, which holds Mr Ocalan personally responsible for the deaths of up to 30,000 people in the PKK's 15-year struggle for self-rule in the south-east of the country, plans to try him on charges of terrorism, treason, and separatism. All carry the death penalty although Turkey has not carried out an execution since 1984.

Public delight at Mr Ocalan's capture has been laced with a thirst for revenge. Pakize Akbaba, president of an association of the mothers of soldiers who died in the war, known in Turkey as "martyrs", said: "Our martyrs are now sleeping peacefully. We trust the Turkish judiciary to give him the punishment he deserves. We are very happy . Now terrorism will end in Turkey."

"I want him to be executed," declared Gazi Aslan, an Ankara waiter who fought the PKK while doing ,his military service in the south-east.

Mr Ocalan will be tried by a security tribunal and the prospects of his receiving a fair trial did not appear to be helped yesterday when his Dutch lawyers were turned back from Istanbul airport.

Bülent Ecevit, the caretaker prime minister, said the lawyers had wanted "to interfere" with the Turkish justice system, which does not allow defendants to use foreign lawyers. A foreign ministry spokesman said the lawyers were "not involved in law and launched activities as if they were the militants of a terrorist organisation".

Mindful, however, that foreign attention will focus closely on the proceedings for any miscarriage of justice, Mr Ecevit promised that Mr Ocalan could count on "a very free, a very just trial because justice is very free in Turkey". He said that "the trial need not last too long because all the illegal actions, the crimes of the PKK's leadership, are well known".

More important than the status of his lawyers is that of the state security court system, which is to try Mr Ocalan.

In November, the European Commission said there were "reasons to believe that by their very nature", the state security courts, which deal with offences under a broadly-defined anti-terrorist act, "do not offer defendants a fair trial".

It said key faults included an "over-reliance on obtaining confession rather than traditional investigative methods".

It also said there were "doubts about the impartiality of judges", since one in three presiding judges was in the military.

Simitis defends rejection of asylum

By Kerin Hope in Athens

Costas Simitis, the Greek prime minister, yesterday faced a storm of criticism over the capture of Abdullah Ocalan, the Kurdish guerrilla leader, after a two-week stay under the protection of Greek diplomats in the Kenyan capital Nairobi.

After calling off a planned appearance in parliament because of a bout of flu, Mr Simitis issued a written statement to defend the government's rejection of Mr Ocalan's repeated requests since January for political asylum in Greece.

"It would be a strategic mistake to transform the Kurdish problem into a Greek-Turkish dispute," it said. "From the beginning, we made clear that Greece considered it neither feasible nor useful for Mr Ocalan to seek asylum here."

Government officials insist asylum was being arranged for Mr Ocalan in another African country, but that he grew impatient with the process and left the Greek embassy in Nairobi of his own accord.

The furore over the Kurdish guerrilla leader's capture comes as Mr Simitis' moderate faction prepares to fend off a strong challenge from the hard left at next month's congress of his governing Socialist party, the first since he was elected party leader to succeed Andreas Papandreou, the late prime minister.

The most outspoken criticism came from Socialist supporters, not the conservative opposition. Several Socialist deputies called for the resignation of Theodoros Pangalos, the foreign minister, over what is seen as a bungled diplomatic effort to protect the Kurdish guerrilla leader, or even possible complicity in his capture.

"Rather than protect him, we betrayed him," said Costas Badouvas, one of a group of Socialist deputies who maintained close contacts with Mr Ocalan and his Kurdish Workers' Party.

Mr Badouvas and his group are backed by pro-Kurdish Greek activists, who tried to put pressure on the government by arranging for Mr Ocalan to fly to Greece aboard a private aircraft chartered by a Greek businessman. Mr Ocalan is understood to have made several brief visits to Greece.

Mr Simitis has tried to distance the Socialists from Papandreou's policy of openly supporting the Kurdish guerrillas, including offers of asylum to Kurds suspected of terrorist activities in western Europe.

The government cites humanitarian grounds for continuing to accept large numbers of Kurds among a wave of illegal immigrants to Greece, but has tried to separate the Kurdish issue from Greece's disputes with Turkey over the Aegean Sea and Cyprus.

Mr Simitis's drive to bring Greek policies in line with its EU partners and gradually improve relations with Turkey has triggered strong domestic reaction. Opinion polls show a steady decline in his approval rating.

ELECTRICITY SECTOR MARKET OPENING MAY TOP EU THRESHOLD

Brussels will decide on Spain's power role

Electricity liberalisation

By Tom Burns in Madrid

Madrid's centre-right government considers the liberalisation of the electricity sector to be a model for the transfer to a competitive environment elsewhere in the European Union.

Spain has travelled further than most along the power deregulation road and, if the government has its way, it will have meaningful competition in place well ahead of France, Germany and Italy.

Whether Spain turns out to be a paradigm depends, however, on Brussels. The regulatory authorities are currently considering an innovative financing package drafted by Madrid.

If approved, this would, in October, open the Spanish market far above the threshold fixed by the EU's electricity directive and bring Spain's liberalisation programme forward by five years for many power users.

Spain put itself firmly on the deregulatory track in the second half of 1997 when the government legislated a new electricity protocol that broadly adopted Brussels liberalising recommendations. But within a year, policy makers, convinced the timetable was too slow, began casting around with investment bankers for ideas to speed it up.

The financing package, according to the government, deals decisively with the key problem posed by a fast switchover to competition. This concerns the uneconomic investments made by the power groups under the guidelines of the previous highly regulated system and which new entrants to an open market will not have to undertake.

These so-called "stranded costs" have proved to be one of the biggest obstacles to government's attempts to negotiate a deregulation agenda with the existing generators.

Madrid approached the problem by putting cash up front. It authorised the immediate compensatory payment to the domestic power groups of Pta1,030bn (€6.1bn, $6.9bn) through a securitised debt issue which would be paid back to investors from 4.5 per cent of all electricity billings over the next 15 years.

> Supporters of the debt instrument say it is the blueprint for other trade-offs

This sweetener ensured the industry's assent to a revised timetable that has significantly accelerated the deregulation programme.

The new timetable will allow all power users consuming at least 1GWh over an average 12 months to choose their electricity provider, negotiating prices and supply requirements, from October onwards instead of having to wait until 2004 as was written into the original electricity protocol.

The revised schedule will bring some 8,000 companies, which together represent 44 per cent of total power consumption, into the competitive market. France, by comparison, will limit access to the open market by the end of this year to some 26 per cent of power users, the minimum threshold fixed by the EU's directive.

The financing package also gained agreement from the generators to additional liberalising moves on toll and guaranteed payment fees that will have reduced electricity costs in 2001 by 18.8 per cent in real terms against those of 1997.

Supporters of the debt instrument say it is the blueprint for similar trade-offs elsewhere in Europe. "We are confident that Spain will obtain a favourable ruling by June," an investment banker closely involved with the securitisation initiative, said yesterday.

Brussels will also be hearing critics of the package who allege it is an over-generous subsidy that will consolidate the hold of existing power groups over the domestic market and block out new entrants.

Endesa, wholly privatised last year, and Iberdrola, its private-sector rival, have spearheaded the concentration of the domestic industry. Together they account for 80 per cent of Spain's power generation and distribution.

Ibercorp affair ends with deal in Spanish court

By David White in Madrid

A Spanish court is expected to agree to a suspended one-year sentence for a former head of Madrid's stock exchange after a plea-bargaining deal with prosecutors in one of Spain's most damaging financial scandals.

The Ibercorp affair, which broke in 1992, led to the disgrace of Mariano Rubio, then governor of the Bank of Spain.

It precipitated the resignation two years later of Vicente Albero, a Socialist agriculture minister, who admitted tax irregularities.

In addition, it cut short the political career of Carlos Solchaga, finance minister during Mr Rubio's governorship, who quit his post as Socialist parliamentary leader because of the public furore over the case.

Manuel de la Concha, the former stock market chairman, and his two main partners in Ibercorp, a boutique investment house set up during Spain's speculative boom in the late 1980s, accepted charges of price manipulation and corporate crime in exchange for a reduction in the sentence sought by prosecutors from 15 years to one.

The public hearing on Monday lasted only a few minutes.

The deal, reflecting changes in Spain's penal code since the case was launched almost five years ago, means that as first-time offenders with short sentences they will not go to jail. Charges of fraud and falsification were dropped.

The other main defendants were Jaime Soto, former chairman of Banco Urquijo and co-founder of Ibercorp, and Benito Tamayo, a lawyer and Ibercorp managing director. They had already paid compensation to minority investors who suffered losses.

Another lawyer faces a Pta1.8m fine. The prosecution recommended acquittal for three other defendants.

After a report in El Mundo newspaper, the affair took on a political dimension when it was established that Mr De la Concha had misled regulators over the identity of shareholders in Sistemas Financieros (SF), an Ibercorp investment vehicle. Following a collapse in its share price, SF bought back large amounts of its own stock from certain investors, while others were left to take losses. The Bank of Spain was forced to intervene to rescue Ibercorp.

The investors involved included Mr Rubio, who was still at the Bank of Spain, although he left the post in mid-1992. A friend and golf partner of Mr De la Concha, who managed his investment portfolio, he was accused of keeping a secret Pta130m account hidden from the tax authorities. Both were detained in 1994 but later released on bail.

The former governor, who has been investigated over the granting of Bank of Spain credit facilities to Ibercorp, faces influence-peddling charges in a separate case in which Mr De la Concha is also accused.

NEWS DIGEST

ENCOURAGING JOB CREATION

Plan to reduce tax on labour-intensive services

The European Commission yesterday put forward a plan to allow European Union member states to levy a reduced rate of value-added tax (VAT) on a limited range of labour-intensive services for an experimental three-year period to encourage job creation.

The proposal, which will require unanimous support from the EU's 15 member states, would apply between January 1 next year to the end of 2002. Member states wishing to take advantage of the measure would have to provide details to the Commission by September 1 this year.

To qualify, the services would have to be labour-intensive, provided directly to final consumers, predominantly local and not damaging to competition or the EU's single market. The Commission would provide a detailed assessment of the plan's results before deciding whether to make it permanent. **Peter Norman, Brussels**

MALTA'S EU BID

Brussels recommends talks

The European Commission recommended yesterday that European Union governments open membership talks with Malta this year, saying the island was making good progress in meeting membership criteria.

"Provided a thorough [economic] reform programme is established and implemented, Malta should be able to cope with the competitive pressures and market forces within the EU in the medium term," the Commission said.

It reissued a positive report card on Malta's 1990 membership application, which the country's then-socialist government had withdrawn in 1997.

The conservative Nationalist party of Eddie Fenech Adami, prime minister, which won elections in September last year, has since revived Malta's European aspirations.

A decision to open talks with Malta is up to the 15 EU leaders when they meet in Cologne in June. Hans van den Broek, the EU foreign affairs commissioner, proposed Malta join six fast-track candidates – Hungary, Poland, the Czech Republic, Estonia, Slovenia and Cyprus – negotiating to get in. Mr van den Broek said Malta was advanced enough economically and politically to not have to join a slower group of five candidates – Latvia, Lithuania, Romania, Bulgaria and Slovakia – negotiating for their entry. **AP, Brussels**

KOSOVO CONFLICT

KLA refuses to disarm

The ethnic Albanian Kosovo Liberation Army (KLA) yesterday rejected calls to disarm and said it was convinced any peace agreement reached with Belgrade would not require it to give up its weapons.

The plan presented to Serbian and ethnic Albanian negotiators in talks at Rambouillet, France, by the Contact Group on Kosovo calls for the KLA, which Belgrade terms a terrorist organisation, to hand over most of its weapons to the Nato force within three months. "Why should we disarm?" asked Sabri Kicmari, KLA spokesman in Germany. "We are convinced the decision to disarm will not be part of the agreement."

The KLA representatives, however, firmly supported the stationing of Nato peacekeepers in Kosovo – vehemently opposed by the Serbs – saying international troops would help protect ethnic Albanians against what they called Serbian repression.

Nato yesterday it would have up to 6,000 peacekeeping troops ready to move into Kosovo within hours of any peace deal. The international community has set a deadline of noon on Saturday for an agreement. If there is no deal, Nato remains on standby to launch air strikes against Serb targets. **Reuters, Rambouillet**

NATO MEMBERSHIP

Poland ratifies entry

Poland yesterday ratified the agreement providing for its entry into Nato, opening the way for the country's formal accession to the western alliance along with the Czech Republic and Hungary at a ceremony in Washington on March 12.

Poland plans to press Nato to enshrine an "open door" policy for new members as part of a revised strategy for the alliance, to be unveiled at an alliance summit in April to celebrate the 50th anniversary of Nato's foundation in 1949.

Aleksander Kwasniewski, Polish president, said Poland would, immediately after joining the alliance, press Nato to formally declare an "open door" policy, which would allow it to accept a further batch of new members. In parliament yesterday, Czeslaw Bielecki, the head of the Sejm foreign relations committee, said that Poland would like to see Slovenia and Lithuania in Nato as well as Slovakia, Latvia and Estonia. **Christopher Bobinski, Warsaw**

FORMULA ONE

Sport adds to local wealth

Formula One motor races are "unrivalled creators of local wealth", with 2m live spectators spending almost $500m at Europe's 11 races, a Brussels symposium on sport in the EU will be told today.

The figures are contained in a 100-page study, which the Federation Internationale de l'Automobile (FIA), the world governing body of motor sport, says is the first systematic evaluation of the economic impact of F1.

The study concludes that spending generated at the 11 European grands prix boosts the turnover of nearly 128,000 businesses and benefits almost 800,000 employees in close proximity to the circuits. It makes comparisons with other high-profile sports, such as baseball in the US and European soccer, and concludes that, unlike other sports, more than four-fifths of the spending is made by non-locals. F1 thus provides a genuine boost to each local economy rather than simply diverting spending from other activities in the area.

The Commission is currently investigating whether FIA's control of motor sport broadcasting rights is anti-competitive. **John Griffiths, London**

FARMERS TO PROTEST

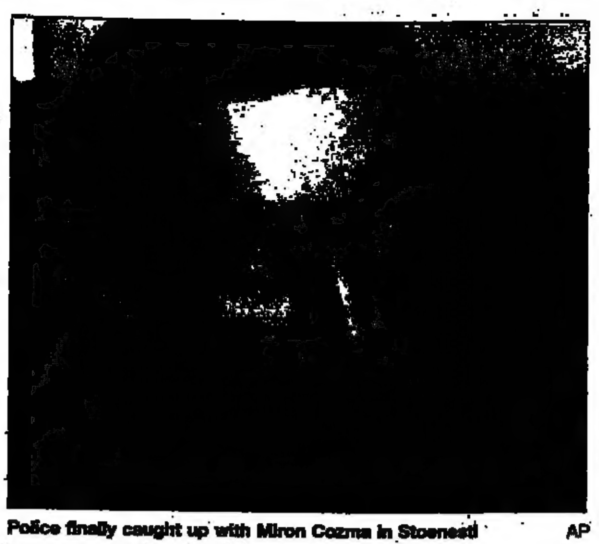
EU meeting switches venue

The venue for talks on European Union budgetary reform among foreign ministers has been switched to Luxembourg because of a planned protest next Monday by up to 30,000 farmers in Brussels, the original meeting place.

The farmers will be demonstrating about changes to the Common Agricultural Policy, the subject of discussions in Brussels by EU farm ministers. Germany, holder of the rotating EU presidency, is seeking a tentative deal on farm reform, including price cuts, by the end of the week.
Michael Smith, Brussels

Romanian miners' leader arrested

By Joe Cook in Bucharest



Police finally caught up with Miron Cozma in Stoenesti AP

Romanian police yesterday morning arrested the militant leader of the country's coal miners amid violent clashes with thousands of miners en route to Bucharest.

Miron Cozma, who has led several miners' revolts since 1990 and who once forced a prime minister from office, was sentenced to 18 years' jail on Monday for undermining the state's authority.

Riot police and anti-terrorist units used tear gas and rubber bullets against the miners, some of whom wielded axes while storming police barricades near the village of Stoenesti, about 160km west of the capital.

Doctors at the scene said about 200 people, mostly miners, were taken by ambulance to local hospitals.

Mr Cozma, who on Tuesday was warned by the interior ministry that he could be jailed for an additional 15 years for obstructing justice, was arrested by police in Stoenesti.

Police also arrested hundreds of other miners and took them away in trucks.

Last month the interior minister was replaced and four police generals left their jobs after a five-day march on Bucharest by an estimated 10,000 miners. This week, however, the authorities would not compromise.

Yesterday morning police reinforcements attacked the miners from behind and slashed tyres and punctured petrol tanks to prevent them using their 60 buses and 100 cars to get away.

The Romanian government is in talks with the International Monetary Fund over a new loan accord. It plans to close 140 loss-making coal and other mines to staunch losses in the state sector.

An IMF deal is vital for Romania to avoid default on the $2.9bn of foreign debt service payments due this year. Official reserves, excluding gold, stood at $1.98bn at the end of last month.

Moscow talks seek to clear way for food aid

By Andrew Jack in Moscow

European Union officials hope to be able to eliminate obstacles that have prevented them from sending food aid to Russia during a summit meeting in Moscow today.

Proposals on tighter co-operation and the confidential exchange of information between investigators tracking down those involved in organised crime are also set to be discussed. The one-day EU-Russia summit is being attended by Gerhard Schröder, the chancellor of Germany and holder of the EU presidency.

An EU food aid package of €470m ($525m), already delayed by concerns over import duties and fears about corruption, received a new setback this month when the Russian authorities complained about the quality of the grain and other products.

Viktor Semyonov, Russia's agriculture minister, yesterday added to the urgency of a deal by claiming that grain shortfalls meant the country would need to import 7m tonnes this year to meet its needs.

Discussion on the Russian side is likely to focus on its need for additional financial aid, especially given the presence of Mr Schröder, who chairs a bilateral German-Russian summit immediately after the EU talks. Germany is Russia's largest foreign creditor.

However, Mr Schröder has adopted the line taken by other western leaders in recent months by stressing the need for further economic reform as a pre-condition for additional aid.

But foreign policy experts argued yesterday that few other concrete results were likely to emerge during the meeting, due to last just two hours. Boris Yeltsin, Russia's ailing president, and Yevgeny Primakov, his prime minister, are expected to attend the meeting with Mr Schröder and Jacques Santer, president of the European Commission.

"I don't think this is something that will set the Moscow river on fire," said Dmitri Trenin, deputy director of the Carnegie Moscow Centre. "It's sad, but Russia's foreign policy has been reduced to a large extent to begging for money. Russia is no longer a pole [of influence]. The question is how to integrate Russia into Europe, and how to strengthen European ties in the perspective of a loss of interest by the US."

EU officials said yesterday the summit would discuss attempts to prepare Russia's entry into the World Trade Organisation and the creation of a free trade area, as well as propositions for a broader EU-Russia common strategy scheduled to be presented to the Council of Ministers in March.

Russia ratifies treaty on Ukraine borders

By Charles Clover in Kiev

Russia's federation council, the upper house of parliament, yesterday ratified an historic 1997 treaty recognising the territorial sovereignty of the neighbouring country of Ukraine.

The step, which includes Russia's first recognition of some its post-Soviet borders, moves the two countries closer to each other after years in which western countries have courted Ukraine. It is also thought to be linked to greater autonomy for Crimea, the mainly ethnic Russian province of Ukraine.

Greater ties with Russia have been one of the most emotive subjects in Ukrainian politics since independence from the Soviet Union in 1991. But the debate has intensified since a December agreement between Russia and the former Soviet republic of Belarus to unite by the end of this year.

The issue of increased Russian-Ukrainian ties has raised concerns among western diplomats that the sovereignty of Ukraine, one of the biggest recipients of US direct foreign aid, may be eroded.

In January, Oleksander Tkachenko, the speaker of the Ukrainian parliament, called for a vote on joining the Interparliamentary Assembly of the Commonwealth of Independent States, a regular gathering of parliamentarians from most former Soviet Union countries. His comments sparked a bench-clearing brawl between nationalist and Communist deputies.

Mr Tkachenko led a Ukrainian parliamentary delegation to Moscow in December, after which the State Duma, Russia's lower house of parliament, ratified the Ukrainian-Russian treaty.

Many Ukrainian parliamentarians believe Mr Tkachenko effectively traded Russian ratification of the "Big Treaty" for a number of concessions by Ukraine.

Since Mr Tkachenko's trip, Russia's Communist party, which hopes to rebuild the Soviet Union, has supported the treaty after 1½ years of opposing it.

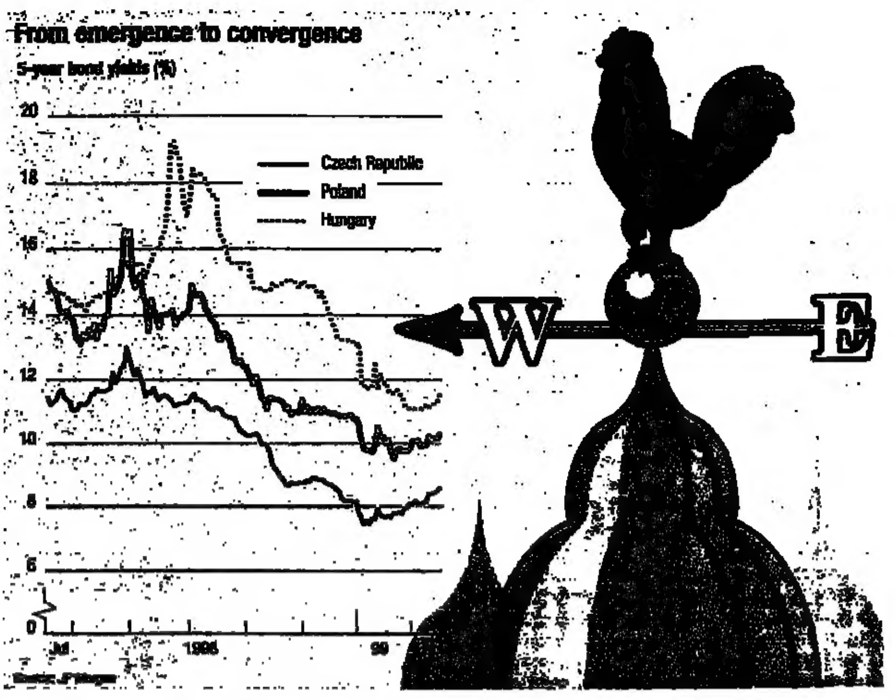
A week after returning from Moscow, Mr Tkachenko rammed a new constitution for the Crimean peninsula through Ukraine's parliament, without it being submitted to many of the necessary committees.

The constitution granted greater autonomy to Crimea, and gave further powers to Leonid Grach, the Communist speaker of Crimea's parliament. Last month Crimea said it would create its own national anthem, flag and crest.

The Federation Council made the border treaty conditional on an agreement between Ukraine and Russia on the Soviet-era Black sea fleet.

E Europe markets emerge from Russian shadow

Falling bond yields underline convergence with the west, writes **Arkady Ostrovsky**



Russia's political dominance in eastern Europe ended with the collapse of the Soviet Union in 1991. Any semblance of dominance of an economic kind was shattered last August when Russia defaulted on its domestic debt and devalued the rouble.

While Russian dollar-denominated bond yields break new records with spreads reaching 5,391 basis points over US Treasuries, Polish dollar-denominated bond yields – at 237 basis points over US Treasuries – are heading back to the level they were before the Russian crisis, according to J.P. Morgan's emerging markets composite bond index, the main indicator of sovereign bond spreads.

Falling bond yields in central Europe support the view that in the eyes of the capital markets Poland, Hungary and the Czech Republic have de-coupled from Russia and are heading west.

"On the fundamentals basis the market is pricing Poland's risk almost at a pre-Russian crisis level," says Thomas Browne at J.P. Morgan.

Russia has not accounted for more than 10 per cent of central European trade in recent years. After the crisis, trade with Russia ceased almost completely.

"Last August marked a clear break between Russia and central Europe. Eastern Europe is now seen as part of the European mainstream rather than part of the Russian empire," says Anthony Thomas, emerging European economist at Dresdner Kleinwort Benson.

But de-coupling from Russia also involved moving out of the emerging markets group of countries and into the western sphere of influence. "Emergence, it seems, is far outweighed by convergence," says Morgan Stanley Dean Witter in one of its latest studies.

The independence of central and eastern Europe from other emerging markets was tested last month by Brazil's financial crisis. Richard Gray, emerging markets economist at Bank of America, says the devaluation of the Real was hardly registered by the eastern European currency markets. In Poland bond yields rose by 20 basis points only and in the Czech Republic yields rose 40 basis points.

Indeed, so resilient did the Hungarian government feel that a day after Brazilian devaluation Hungary boldly decided to auction eastern Europe's first 10-year bond. It was six times subscribed.

"This was a key gauge of confidence in the country's convergence prospects," says Morgan Stanley Dean Witter. Less than two weeks later, Hungary launched its first euro-denominated bond. The 10-year €500m bond – the first by an east European country – was launched on January 26 at 87 basis points over German bunds and has since tightened to 84 basis points, reflecting just how low the risk associated with Hungary now is.

Encouraged by the Hungarian example, Bulgaria and the city of Sofia are both planning their debut euro-bond issue this year. Croatia is also planning a euro-denominated bond issue which could – if successful – open the way for other eastern European countries to come to international capital markets.

The convergence story is best illustrated by falling yields on bonds denominated in local currencies. In the Czech Republic five-year bond yields have steadily fallen from about 12.8 per cent to below 8 per cent since the Russian crisis. Polish five-year bond yields have fallen from more than 16 per cent to 10 per cent in the past five months. Hungarian five-year bond yields have dropped from almost 19 per cent to about 10.5 per cent in the same period.

Government bond yields are determined by four main factors: interest rates, inflation, risk of devaluation and the credit-worthiness of a country. But while inflation in Poland and Hungary has fallen to single digits and interest rates have dropped dramatically, the risks of currency weakening remain.

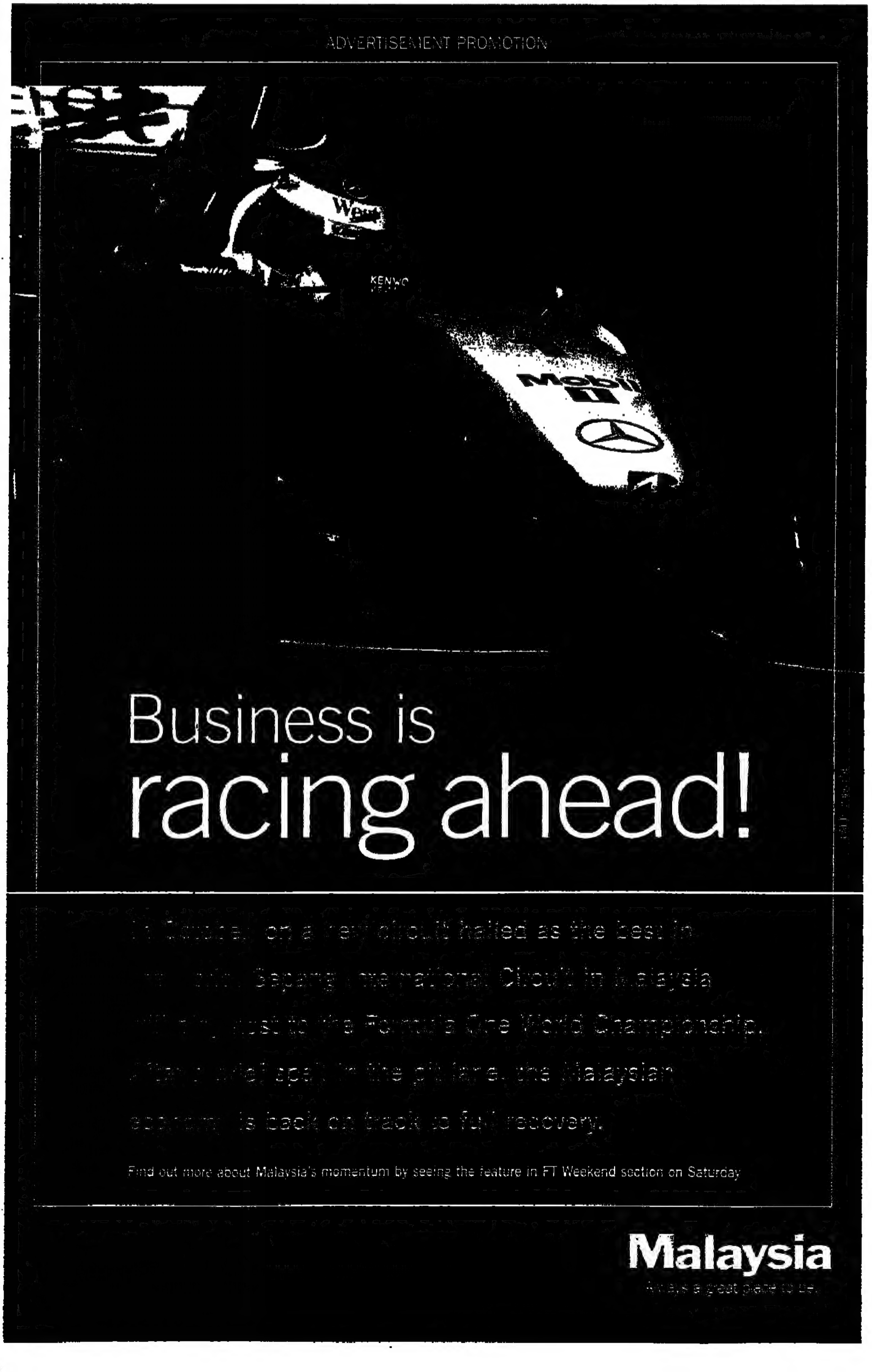
"Inflation has come down in eastern Europe faster than expected and the chances of default are extremely low, but it is the currency that is a key variable this year," says Mr Thomas.

However, having escaped from Russia's grip, central European countries are more vulnerable to the fortunes of western Europe, their main trading partner. This means that an economic slowdown in western Europe could hit export prospects for central European economies and lead to an economic slowdown and the widening of the current account deficit in the region, according to Mr Thomas.

"When western Europe sneezes, eastern Europe catches a cold," says Mr Browne at J.P. Morgan.

But while economies in Poland and Hungary are still growing, albeit at a slower rate than expected, the country that causes most concern to bond investors is the Czech Republic, which is fighting severe recession.

"The Czech currency has been firm, but with the reduction in interest rates the downside for the currency is very severe indeed," says Mr Thomas. "Red lights are already flashing."



BANANA DISPUTE BRUSSELS AND WASHINGTON CLASH AGAIN AT THE WORLD TRADE ORGANISATION

EU seeks WTO ruling on US sanctions law

By Frances Williams in Geneva

The US and the European Union crossed swords over bananas again yesterday when Brussels asked for a World Trade Organisation panel to rule on section 301 of US trade law which provides for unilateral trade sanctions.

Though the US blocked establishment of the panel on the first request, which it is entitled to do under WTO rules, the EU said it would call a special meeting of the WTO's dispute settlement body to make a second request which cannot be refused.

The meeting is likely to be held at the beginning of March, when the US has threatened to impose punitive duties on European goods in retaliation for the EU's alleged failure to comply with WTO rulings against its banana import regime. Brussels says such sanctions would be illegal in the absence of a WTO panel decision on compliance.

EU officials told the dispute settlement body yesterday that the US sanctions timetable laid down in section 301 and succeeding clauses, originally enacted in 1974, was not compatible with authorised retaliation procedures in the WTO.

Moreover, the US law had been actively used to exert pressure on Brussels in the banana case, violating WTO prohibitions on unilateral determinations of guilt and unilateral trade measures against WTO members.

Both charges are denied by the US which says any action under section 301 will be consistent with WTO rules. However, Washington and Brussels do not agree on how the rules should be interpreted, an issue that last month brought the WTO's dispute settlement system close to breakdown.

The three-man panel that originally condemned the EU's banana import arrangements is currently examining the amended scheme which began on January 1 to see if it complies fully with WTO rules. That decision is due by April 12.

The same panel is also assessing the US claim for $520m in retaliatory duties on imports from Europe. Washington argues that WTO procedures require this arbitration to be completed by March 2, permitting it to impose sanctions from March 3 – but Brussels, with the support of other leading trading nations, says retaliation must await the report on compliance.

In recent days the US has hinted that the March 3 deadline laid out in its retaliation timetable may not be immutable, in a further sign that the two sides are trying to defuse the dispute.

● The WTO's dispute settlement body yesterday agreed to establish a panel at the EU's request to examine US anti-subsidy duties against imports of UK steel. Brussels says the duties are based on an unfair US presumption that UK steel companies that took over the assets of state-owned British Steel benefited from subsidies paid before privatisation in 1988.

Editorial comment, Page 11
GM food trade war, Page 11

Jakarta picks port bidder

By Sander Thoenes in Jakarta

Indonesia has selected an affiliate of Hutchison Whampoa, the container port operator, as favoured bidder for operating and managing Jakarta's largest port authority – the first breakthrough in months for the troubled privatisation programme.

The Ministry of State-owned Enterprises said it hoped to conclude negotiations with Grosbeak, part of Hutchison, by the end of February on forming a joint venture with Pelabuhan Indonesia II, the state-owned port authority.

The venture would receive a 20-year concession to operate and manage the two newest and most profitable terminals of the Tanjung Priok harbour. International Container Terminal Services, P&O Ports and a local venture of Stevedoring Services of America International bid as well.

The joint venture is a modified version of earlier privatisation plans, part of a government pledge to raise $1.5bn by privatising 12 enterprises before April 1. Only a stake in a cement mill has been sold so far and the target for April has been toned down to six sales.

Few expect more than one or two other privatisations by then, leaving Indonesia short of badly needed revenue. The government has been wary of selling majority shares because privatisation has been very controversial in Indonesia.

France Telecom, British Telecom and Telstra of Australia are believed to be doing due diligence before submitting final bids in March for a 14 per cent stake in Indonesia Satellite, the international call operator.

Nederlandse Luchthaven Schiphol, the Dutch airport authority, is believed to be the only interested party in Angkasa Pura II, which manages Jakarta's international airport. Schiphol said it had not even registered to bid.

Australia plans gas drive in Asia

By Gwen Robinson in Sydney

Australian producers of liquefied natural gas are planning to form a joint marketing agency to compete with emerging producers and win LNG contracts in Asia, Australia's largest LNG producer said yesterday.

The move underscored growing competition for Asia's emerging LNG markets – particularly China and Taiwan, which were considering buying significant quantities of LNG from about 2004, said John Akehurst, managing director of Woodside Petroleum. It also highlighted concerns about the prolonged economic downturn in Japan, which is by far Australia's largest LNG customer.

Competition between several Australian LNG projects could work against their interests in securing contracts ahead of competing international LNG suppliers, Mr Akehurst said. "There is the potential for confusion in terms of representation in the market place... The real competition (for Australian producers) is outside the country, it shouldn't be in the country."

Under the plan, competing projects would produce their LNG separately, but pool their marketing efforts in a central agency that would give priority to the lowest cost producers.

Woodside, which is 34 per cent owned by Royal Dutch/Shell, operates and partly owns the North West Shelf gas project off Western Australia. Equal partners in the project are Royal Dutch/Shell, BP-Amoco, Chevron Corp., Broken Hill Proprietary and Japan Australia LNG, a joint venture between Mitsubishi Corp and Mitsui & Co. of Japan.

The proposal for a unified LNG marketing agency was developed by Woodside with Chevron and Shell. But talks are under way with other producers.

US action on steel dismays the Japanese

By Michiyo Nakamoto in Tokyo and agencies

Japanese industry officials have reacted with dismay to anti-dumping action by five US steelmakers, which comes on the heels of a preliminary anti-dumping ruling against Japanese imports of hot-rolled steel products by the Commerce Department.

The US complaint against the Czech Republic, France, India, Indonesia, Italy, Japan, Macedonia and South Korea was filed on Tuesday with the US Commerce Department and US International Trade Commission (ITC).

The industry charged that cut-to-length plate, a major product that is used to make machinery and equipment and in bridge construction, was being sold in US markets by as much as 119 per cent below fair value.

Nippon Steel, the largest Japanese steel manufacturer, said yesterday: "It is not true that steel plate exports are causing damage to US industry and it is hard to understand what is behind the filing of the lawsuit."

Japanese steel manufacturers have recently claimed that the rise in steel imports from Japan was due to strong US demand for those products and failure of the US domestic industry to meet that demand due to a supply shortage.

The sharp rise in exports of steel plate products from 5,000 tons in 1997 to 278,000 tons last year was due to the large number of pipeline projects in the US, which in turn resulted from firm energy demand, according to Nippon Steel.

The Japanese Federation of Iron and Steelworkers Unions is planning to send a letter to the United Steelworkers of America, emphasising the sharp drop in imports of Japanese steel since last November. It will convey to the US labour union the impact US anti-dumping action, and a consequent fall in exports to the US, could have on employment in Japan.

The Ministry of International Trade and Industry has already requested consultations with the US on another steel case involving a lawsuit against Japanese steel importers, which Miti considers in breach of WTO rules.

FILMS AND TV OTTAWA URGED TO SEEK DEFENCES AGAINST AMERICAN ONSLAUGHT

Canada urged to negotiate ways of protecting cultural heritage

By Edward Alden in Toronto

A top advisory committee to the Canadian trade minister, Sergio Marchi, yesterday urged Canada to take the lead in negotiating new international measures to protect cultural diversity against the mounting pressure for trade liberalisation.

The committee, largely composed of business leaders from the film and television sectors, said the existing cultural exemption negotiated in the North American Free Trade Agreement was no longer sufficient to protect Canadian culture. It urged the negotiation of a new "international instrument," perhaps under the World Trade Organisation, in which countries would agree to treat cultural goods and services as "significantly different from other products".

The recommendations will cause serious concerns in the US administration at a time when the two countries are embroiled in a bitter dispute over proposed Canadian legislation that would freeze some US publishers out of the Canadian market. The US has threatened trade retaliation worth several billion dollars if Canada proceeds with the measure.

Sheila Copps: pointedly excluded US from international meeting to discuss protecting cultural diversity

The US, the world's largest exporter of movies, television programmes and other entertainment products, is worried that Canada and like-minded European countries such as France and Spain will form alliances aimed at excluding US goods. Sheila Copps, Canada's heritage minister, last year convened an international meeting of cultural ministers, from which the US was pointedly excluded, to discuss strategies for protecting cultural diversity.

Canada and many European countries already use an array of subsidies, local content requirements, ownership restrictions and import barriers to foster national film, television and print industries. But the US has been chipping away at such measures where possible. Canada last year lost a dispute in the World Trade Organisation after the US challenged its policies to protect local magazine publishers, and Ottawa is now scrambling to find ways to maintain that protection within WTO rules.

The committee's proposal calls for an international agreement that would specify the measures countries are permitted to use to protect their cultural industries, and when those measures are exempt from trade retaliation. The agreement would be based on the principle that cultural diversity should be fostered and that domestic regulatory measures should be used to promote that end.

The committee urged the Canadian government to persuade other countries that trade in cultural goods and services must be treated differently than other products.

The recommendations come as Canada and other countries are drawing up the agenda for the next round of world trade negotiations, which is expected to begin later this year.

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Netscape's claim untrue – Microsoft

By Richard Wolffe in Washington

A senior Microsoft executive yesterday accused rival Netscape Communications of fabricating allegations of an illegal attempt to carve up the market in internet software.

Dan Rosen, general manager of new technology, told the Microsoft monopoly trial that it was "absurd and untrue" for Netscape to accuse his company of trying to stifle competition in a meeting between both companies' executives in June 1995. The disputed meeting is one of the most controversial and crucial pieces of evidence in the four-month-old antitrust trial brought by the US Justice Department and 19 states.

Antitrust officials accuse Microsoft of seeking to shift Netscape out of the retail market for internet software, towards products designed for business customers.

In written testimony released yesterday, Mr Rosen, who led the meeting for Microsoft, said: "Based on more than 20 years of business experience and negotiating many strategic agreements, I certainly believed – and still believe – that the discussions with Netscape were wholly and entirely consistent with lawful, and commonplace, business practices."

Mr Rosen accuses Netscape's senior executives of failing to take accurate or complete notes of the meeting, and of misunderstanding the technical nature of the discussions.

Netscape provided some of the most dramatic evidence at the start of the trial in October, when Jim Barksdale, Netscape's chief executive, accused Microsoft of wanting to "draw a line" between the two companies.

Mr Barksdale said "the line" implied that Microsoft would shift itself towards Netscape's market and undermine its business strategy. When Netscape refused to take part in the alleged collusion, he said Microsoft sought to crush his company by distributing its rival software free of charge.

However, Mr Rosen said yesterday that the discussion of the controversial "line" was no more than a technical debate over the interface between the two companies' products. "It is ludicrous to propose that the 'line' was some sort of line in the sand that Microsoft told Netscape it could cross only at its peril," he said.

Government lawyers yesterday finished three days of cross-examining Brad Chase, Microsoft's vice-president of marketing. Mr Chase has consistently argued that Microsoft's internet software won a significant market share because it was technically superior to its rival's offerings.

The US Justice Department this week sought to undermine those technical claims by releasing internal Microsoft documents which identified that most people use the company's internet software because it was already installed on personal computers.

The government argues that Microsoft has abused its market strength over Windows software to crush competition in the market for internet browsing software.

Puerto Rico telecoms sale wins approval

By Canute James in Kingston

The US Federal Communications Commission has approved the privatisation of the Puerto Rico Telephone Company to a consortium led by GTE of the US for just over $2bn.

The sale is the biggest privatisation by the government of the US possession in the north-east Caribbean, and there are more plans for divestment in areas such as prisons and public health.

The GTE-led consortium has taken a 51 per cent stake in Puerto Rico Telephone, and will manage the company. Local investors are buying 5 per cent, while the government is keeping 44 per cent, with some of this going to the company's workers through a stock ownership plan.

In approving the sale, the FCC rejected allegations from Puerto Rican trade unions that GTE would abuse its monopoly by not allowing competitors reasonable access to telephone infrastructure, said Gloria Tristani, the FCC commissioner.

Consequently, the commission did not impose a federal monitor as a condition of approving the sale. Ms Tristani said GTE planned to invest $1bn in infrastructure improvements, had promised not to raise telephone residential rates and would give a 3 per cent discount to Puerto Rican educational institutions for their use of the internet.

The announcement in July of an agreement in principle between the government and the consortium led to a 43-day strike by three-quarters of Puerto Rico Telephone's employees. They were supported by a two-day general strike.

However, the government rejected opposition to the sale, saying that the company had to be divested because it would become unprofitable following changes in US federal communications regulations. The company lost its 22-year monopoly on local services following the passage of a 1996 law which deregulated telecommunications services in the US. Under government ownership, the company was "bound by too many government procedures and regulations that delayed decision-making in a competitive environment", said Carmen Culpeper, the company president.

With the completion of the sale of the telephone company, the administration will turn to the privatisation of several hotels, regional airports, health clinics and the prison service. It has already sold Puerto Rico Maritime Shipping (Navieras), which had debts of $220m when it was divested in 1995. Some hotels have also been sold, as well as pineapple farms and sugar cane farms and mills.

New homes building hits 12-year high

Despite icy weather in the north-east and Midwest, construction of new homes jumped 3.8 per cent in January to a 12-year high, extending the US building boom of 1998 into the new year, AP reports from Washington.

Builders started construction of houses and apartments at a seasonally adjusted annual rate of 1.8m, the Commerce Department said yesterday.

In contrast, the Federal Reserve said production at factories, mines and utilities was unchanged in January.

Builders in 1998 started 1.62m units, an 11-year high, and economists had expected the start of a modest decline during 1999. However, the conditions that drove homes sales and construction in 1998 – low mortgage rates, plentiful jobs and high stock prices – continued into 1999.

On the web today
- Trial puts sexual harassment back in spotlight
- Mexico remains resilient despite slowdown
- Rural America falls through the net

http://www.ft.com/americas

Argentina looks for ways to mollify suspicious Falklanders

Status of the island still a powerful irritant in relations with Britain, reports **Ken Warn**

It must have been simple once – an agreeable round of polo, tea, and G&Ts. Britain's ambassador to Buenos Aires in the late 1930s reminded his bosses in London that there was a territorial dispute with Argentina over the Falkland Islands in the South Atlantic. But fortunately, he added, no one had bothered to raise the issue during his tour of duty.

The rise of Argentine nationalism in the 1940s, and then the brief but bloody war that Britain and Argentina fought over the islands in 1982, put paid to such diplomatic tranquillity. Even after the rebuilding of Anglo-Argentine links this decade, the issue remains a powerful irritant in bilateral relations.

Argentina is pressing its 165-year-old claim over the islands with unrelenting vigour. Its officials constantly buttonhole international dignitaries in search of the merest gesture of support – even those who would be hard pressed to locate the Falklands on a map.

The pace of Argentine diplomatic activity has accelerated in recent weeks. Guido Di Tella, foreign minister, has criss-crossed the Atlantic at a frantic pace, meeting British and US officials and taking the Argentine case to Kofi Annan, the UN secretary general.

Another meeting is planned shortly with Robin Cook, Britain's foreign secretary. "Can this really all be just for the air miles?" said one diplomat in Buenos Aires.

The British government maintains that the sovereignty of the islands is not negotiable. However, it is geared up for an initiative from Buenos Aires soon.

Despite Argentine denials, islanders' representatives say that several "ideas" – none entirely new – have been conveyed to them since December from the Argentine side. These trial balloons range from a freeze on sovereignty to an outright dropping of the Argentine claim, in exchange for a normalisation of links between the islands and the mainland, frozen since 1982.

Under such an arrangement, Argentina would seek at least a symbolic presence on the islands. One formula is that the Argentine flag could be flown over the cemetery at Darwin, where the country's war dead are buried, and the cemetery itself declared sovereign Argentine territory.


A British airman looks across the Argentine cemetery on the Falklands Reuters

Andrés Cisneros, Argentina's deputy foreign minister, denies there is any possibility of Argentina dropping its claim. But he sketches out a two-stage process under which communications links could be resumed, followed by a negotiation that would lead to "an agreement to disagree" over sovereignty.

The bar on Argentines even setting foot on the Falklands clearly needles Mr Cisneros and other officials. "It's as if we were lepers," he said. "We want the kind of normal relationship that normal people have."

The islanders, not surprisingly, see the situation differently. "Only if the Argentines drop the claim can we have a normal relationship. It is the first step," says Sukey Cameron, Falklands government representative in London.

Taking a marginally more conciliatory line, islands councillor Mike Summers this month suggested a 50-year freeze on the Argentine claim, to be followed by a binding referendum of the islanders on their future, in exchange for a gradual normalisation of links.

But for Argentina, the closer it comes to renouncing the sovereignty claim, the harder any solution will be to sell politically at home. The Falklands barely feature among voters' everyday concerns. But the bedrock of support for pressing the claim remains strong, even among those who opposed Argentina's attempt to seize the islands by force.

For Britain, too, there are dangers. British officials, from Tony Blair, prime minister, downwards, believe resumed links with the mainland would help secure the islands' economic future.

But bitter experience has taught successive British governments not to try to force the pace with the islanders. Before the 1982 conflict, opposition from the Falklanders sank several efforts by London to negotiate with Argentina.

The Argentines see the islanders – who are set to lose their air-link with the mainland next month when LanChile drops its flights – as increasingly isolated, and perhaps more ready to talk than in the past.

But being isolated is something the 2,200-odd Falklanders, who have eked a living from the remote, inhospitable terrain for generations, know all about. Even if Argentina can get round the table with British officials and the islanders' representatives, it may find it is the Falklanders who hold the strongest cards.

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BoJ 'ready to pump liquidity into markets'

By Gillian Tett in Tokyo

The Bank of Japan's readiness to take radical measures to boost the economy is now "much, much stronger than the market currently realises," Eisuke Sakakibara, vice-minister of finance for international affairs, said yesterday.

In particular, the bank now has "a very strong determination to pump liquidity into the markets using all the [monetary] tools," Mr Sakakibara told the Financial Times. "It is still uncertain at what point the economy will turn around. Given this, the government needs to use every policy tool available to restore confidence and relieve the credit crunch."

Mr Sakakibara refused to endorse explicitly recent calls by politicians for the bank to increase its purchases of Japanese government bonds (JGBs). "It is up to the bank to decide" what tools to use, he said.

But his comments will fuel suspicions the government is preparing to implement a more inflationary policy in an effort to stave off criticism it is not doing enough to boost the economy. On Saturday, Japan must face other members of the Group of Seven at a meeting of finance ministers and central bankers in Germany.

Mr Sakakibara admitted that it was "natural for the yen to weaken as a result of the very dramatic easing of monetary policy".

"I think the US understands this and supports the monetary easing," he said.

He still believed that the yen would recover in the medium term as the Japanese economy rebounded. The yen closed in Tokyo trading around Y118 to the dollar yesterday, but in London later it hit more than Y119 to the dollar for the first time in two months.

Masaru Hayami, the Bank of Japan governor, has repeatedly insisted in recent weeks that he will not bow to political demands to raise the bank's purchases of Japanese government bonds.

Instead, the bank's policy board decided last Friday to pump enough liquidity into the market to lower the overnight market interest rate from 0.25 per cent to 0.15 per cent or lower. Yesterday, it let the rate fall to a record low of 0.08 per cent.

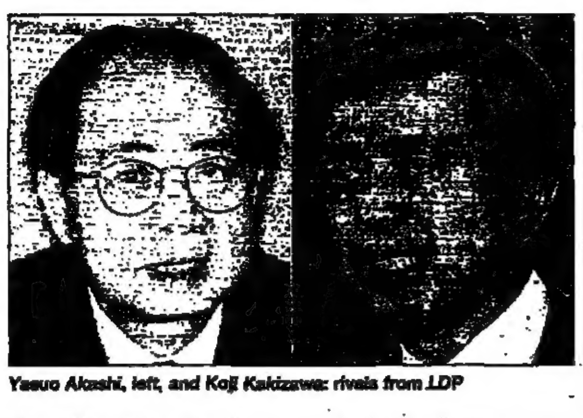
But other senior bank officials have started intensive discussions about other monetary measures, such as the adoption of an inflation or monetary target for the first time.

Lawrence Summers, US deputy Treasury secretary, is expected to raise the issue with the bank next week. Mr Sakakibara yesterday acknowledged introducing an inflation target "could have a useful psychological impact at the moment".

He admitted that Tuesday's decision by the Trust Fund Bureau to resume JGB purchases "might look like a reversal of policy" but had been needed to "calm panic in the JGB market in January". The intervention by the bureau was unlikely to push long-term interest rates much lower. Yield on the benchmark 10 year-bond yesterday closed at 1.93 per cent, down from Tuesday's 1.99 per cent and sharply below January's 2.44 per cent peak. ■

Tokyo residents ponder LDP's rival aspirants for governor

Two of Japan's most active figures internationally are fighting each other, reports **Michiyo Nakamoto**



Yasuo Akashi, left, and Koji Kakizawa: rivals from LDP

Expertise in international diplomacy is not a skill that wins many votes in Japanese domestic politics. But a messy political battle over who should run for governor of Tokyo from the ruling *Liberal Democratic party* (LDP) has pitted two of Japan's most active figures on the international stage against one another.

Until recently, Yasuo Akashi, 68, was undersecretary general for humanitarian affairs at the United Nations, involved in UN peacekeeping activities in Cambodia and the former Yugoslavia.

Koji Kakizawa, 65, is a former foreign minister of Japan who has led a long personal campaign to promote relations with foreign countries ranging from France to Libya.

In a curious twist of fate, the race to become the LDP's candidate in April's Tokyo gubernatorial race has brought the two close friends face to face in a showdown that has wreaked havoc in the ruling party.

It is a huge embarrassment for the LDP, which had settled on fielding Mr Akashi, after an earlier bungle involving an opposition candidate. Initially, the LDP had wanted to back Kunio Hatoyama, deputy secretary general of the opposition Democratic party (DPJ), who is running as an independent.

Mr Hatoyama used to be a member of the LDP and comes from a prominent political family with impeccable conservative credentials. But firm opposition against LDP support from the DPJ scuppered that plan, leaving the ruling party looking confused, disorganised and desperate to find a suitable candidate.

Although the LDP does not face national elections until the autumn of next year, the stakes are high for the ruling party. The Tokyo gubernatorial election is a key indicator of trends among urban voters, points out John Neuffer, political analyst at Mitsui Marine Research Institute. "Symbolically, it is of crucial importance to the LDP," he says.

The LDP suffered a big defeat in the last gubernatorial election in 1995 when its candidate, Nobuo Ishihara, a former deputy cabinet secretary, lost against Yukio Aoshima, an independent, despite the backing of four other parties.

Young LDP parliamentarians, many of whom are from urban constituencies, are seriously worried about the ruling party's declining support in urban areas.

However, as long as Mr Kakizawa insists on running there is little the LDP can do except to threaten to expel him from the party. Mr Kakizawa is unacceptable as a candidate to the LDP because of opposition from the Komei party, whose cooperation the LDP needs to make up for its lack of a majority in the upper house of the Diet. The Komei, backed by the Soka Gakkai religious organisation, has not forgotten that Mr Kakizawa led a campaign to enforce transparency in accounts of religious organisations, which are tax-exempt.

In the furore that has developed over the issue, the plight of Tokyo residents has been left on the sidelines.

The city, with a gross domestic product of $759.6bn, has an economy larger than that of Canada or Spain. Its financial problems are also enormous.

With outstanding debts of Y6,651bn ($56bn) and a budget deficit of Y100bn ($842m) this year, Tokyo faces serious financial problems.

Projects undertaken in the years of plenty, such as the redevelopment of the waterfront area, are still costing the city dearly, while revenues have fallen sharply. The Tokyo metropolitan government's towering headquarters alone, built eight years ago at a cost of Y160bn, costs the city Y5.4bn a year in maintenance.

Whoever becomes governor will also face mounting problems related to the recession.

Yet Mr Kakizawa, whose candidacy the LDP adamantly refuses to allow, is the only one who can claim to have taken any concrete action in this regard. As head of an LDP urban revitalisation committee, Mr Kakizawa, known affectionately by his supporters as the "Kennedy" of downtown Tokyo, has been actively studying measures for the city's redevelopment.

Tokyo's liberal voters may be disillusioned with non-establishment types, given the failure of the incumbent governor, Yukio Aoshima, to live up to expectations.

But Tokyoites are notoriously unpredictable – and well educated and well informed. Amid continuing economic slump, the LDP may again find to its dismay that it is still policy, rather than political support, that sways the city's electorate.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Price for Trading on 18.02.99	Final Prices for Trading on 21.01.99		
½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.81	20.92	21.17	0.85
0100	23.98	20.92	21.17	0.88
0130	23.98	26.62	26.87	0.86
0200	23.98	26.62	26.87	0.85
0230	23.98	20.92	21.17	0.85
0300	23.99	21.02	21.27	0.86
0330	23.99	26.72	26.97	0.86
0400	23.99	21.02	21.27	0.88
0430	20.43	21.02	21.27	0.86
0500	9.29	21.02	21.27	0.86
0530	9.29	8.50	8.90	0.00
0600	9.29	8.60	8.60	0.00
0630	17.90	10.10	10.10	0.00
0700	20.10	21.59	21.84	0.86
0730	20.10	57.33	57.58	0.86
0800	19.64	57.34	57.59	0.88
0830	59.68	104.38	104.63	0.86
0900	59.68	104.38	104.63	0.86
0930	27.81	44.31	44.56	0.86
1000	26.21	44.31	44.56	0.88
1030	23.16	44.31	44.56	0.88
1100	23.16	41.17	41.43	0.88
1130	23.16	44.31	44.56	0.86
1200	24.24	44.31	44.56	0.86
1230	24.24	44.31	44.56	0.88
1300	24.24	44.31	44.56	0.85
1330	26.21	44.30	44.56	0.88
1400	26.21	38.57	38.82	0.88
1430	26.21	44.31	44.56	0.86
1500	26.21	44.31	44.56	0.86
1530	26.21	44.32	44.57	0.88
1600	25.21	44.39	44.67	0.85
1630	25.31	45.88	46.72	0.85
1700	25.32	70.72	74.49	0.88
1730	37.54	88.26	90.75	0.88
1800	64.38	88.24	90.63	0.86
1830	84.43	82.25	84.48	0.88
1900	73.32	72.86	73.68	0.88
1930	84.21	71.21	71.68	0.86
2000	55.34	57.44	57.73	0.86
2030	23.16	101.58	101.81	0.88
2100	21.15	101.55	101.80	0.86
2130	21.15	57.33	57.58	0.86
2200	20.04	57.33	57.60	0.88
2230	17.75	27.18	27.43	0.85
2300	9.29	21.48	21.73	0.88
2330	25.26	21.48	21.73	0.88
2400	25.26	10.05	10.05	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/kWh. Provisions for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until sometimes major discrepancies until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of such revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6000 between 9:30am and 5.15pm Monday to Friday.
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ADB, World Bank consider Indonesia debt guarantee

By Sander Thoenes in Jakarta

The Asian Development Bank and the World Bank are considering guaranteeing an Indonesian debt issue, which would make a costly bank bailout programme possible without the country's debt ballooning, ADB officials said yesterday.

Shoji Nishimoto, ADB programmes director for east Asia, said the bank's board was considering whether to back sovereign debt issues by *troubled Asian* member states, including Indonesia.

A decision in principle could be made before April, he said, adding that the World Bank was deliberating whether to join in.

A joint guarantee for sovereign bond issues by Asian countries would sharply lower the risk attached to such bonds and hence the interest rate needed to attract investors.

For Indonesia, such backing would enable the government to push ahead with its plan to recapitalise up to 70 private and state banks without sharply worsening the budget deficit.

Indonesia set aside *Rp34,000bn ($3.9bn) for the* coming fiscal year for interest payments on some Rp250,000bn in government bonds, including Rp18,000bn from the budget and Rp16,000bn from sales of government assets.

However, this must also to pay for liquidation of banks that are not eligible for the recapitalisation plan; because the government guaranteed all bank liabilities a year ago to halt a rush on the banks.

Many economists fear the allocation comes nowhere near the funding needed for recapitalisation, let alone liquidation as well.

The government has *delayed decisions on the* interest rate and on recapitalisation and closure of unfit banks, despite concern that most banks are sinking under bad loan portfolios and negative interest spreads. The latest deadline is for February 27.

It is far from clear whether a change of position at the ADB and the World Bank would come in time, or whether they would back a recapitalisation scheme that has been controversial from the start.

Mr Nishimoto said the programme "should be do-able" but acknowledged the budget constraints.

He said the ADB had *backed a bond issue by the* Philippines power utility and a loan to a private Thai bank, but never a sovereign bond. "That is a very sensitive issue," he added.

COMPETITION RULES TRADITION OF AWARDING EXCLUSIVE LICENCES DUE TO DISAPPEAR

New law set to ban monopolies

By Sander Thoenes

Indonesia's parliament is set today to ban monopolies and unfair competition, breaking with some of the worst economic distortions of former president Suharto's rule.

Representatives of the four groups in the parliament have already agreed to a draft law that would limit an enterprise to a 50 per cent market share and restrict any group of two or three collaborating companies to 75 per cent.

Vertical integration, a popular practice among Indonesia's conglomerates, would be banned if an independent Commission for Supervision of Competition ruled that it would hinder free competition or "cause loss to the people".

The draft law, the first ever to be initiated by Indonesia's parliament, would end a long tradition, established by Mr Suharto, of awarding exclusive trade, import and distribution licences to ministers' close friends and relatives.

Mr Suharto agreed to cancel some of the more obvious privileges, such as his son's clove trading monopoly, in an agreement with the International Monetary Fund last year.

The final draft was significantly watered down, however, in part because the World Bank and western governments objected to plans to ban vertical integration altogether and limit market share to 30 per cent, which would have been among the world's toughest limits. Tough prison terms were changed to fines.

Jusuf Talib, one of 34 members of parliament who drafted the law, said the earlier draft "would have made the investors, particularly foreign investors, hesitant to invest".

The law would only come into force after 18 months, to give dominant companies such as Indofood, the vertically integrated noodle maker which holds more than 80 per cent of the market, time to shed businesses.

Even at 50-75 per cent, the restriction on market share remained controversial. "Putting such limits is a mistake," said Thee Kian Wie, a prominent economist. "In other countries, anti-monopoly laws do not focus on market share but on company behaviour, such as blocking markets. There is no need to limit market share as long as businesses can engage in fair competition."

"No matter the percentage, the limitation is a good thing," countered Arif Arryman, a consultant. "In a transitional economy like ours, we need a legal instrument for creating healthy and competitive markets."

Parliament has been unusually productive, adopting laws on banking, political parties and elections. It is deliberating laws on granting independence to the central bank, decentralising government and reforming the oil and gas industry.

Implementation has never been Indonesia's strength, however. "The weakness is not in the law," Mr Talib said. "It is behind the law: the bribes, the corruption. It is a matter of mentality."

Police in Surabaya, Indonesia's second city, use water cannon to disperse thousands of workers protesting over pay yesterday Reuters

Call to guard Taiwan interests

By Mure Dickie in Taipei

Lee Teng-hui: determined to see that Taiwan stays Taiwan

Lee Teng-hui, Taiwan's president, has underlined the political gulf between *the island and mainland* China, with local newspapers quoting him as calling for stronger efforts to safeguard Taiwanese interests.

"Taiwan is Taiwan," newspapers quoted Mr Lee as telling a lunar New Year gathering in his home town. The Liberty Times quoted him as saying it was clear that Taiwan was a *sovereign* and independent nation.

Such rhetoric raises hackles in Beijing, which considers Taiwan an integral part of China and has threatened to invade if it declares formal independence. Zhu Rongji, the Chinese premier, this week used a New Year address to renew calls for reunification talks.

Mr Lee said the resumption of cross-strait talks should not result in argument with the mainland, but Taiwan should continue to strengthen efforts to secure its rights, the United Daily News reported.

Mr Lee's comments follow a series of disputes that have threatened the fragile rapprochement between Beijing and Taiwan.

Military 'cannot try civilians'

By Farhan Bokhari in Islamabad

The Pakistan government yesterday suffered a significant setback in its campaign to quell ethnic violence in *Karachi, after the supreme* court ruled that military courts could not try civilians.

Nawaz Sharif, prime minister, ordered establishment of the military courts in the southern province of Sindh last November to stem worsening lawlessness caused by continuous infighting among rival *ethnic groups. The* move was seen as a key measure to restore business confidence in the southern port city of Karachi.

Recently, the government had said that similar courts would be established all over the country to bolster the fight against crime.

Senior officials defended the courts on the grounds that the civil judicial system, notorious for corruption and where trials can sometimes go on for years, was incapable of delivering "quick" justice. Verdicts from the military courts were subject to only one appeal before a higher military court, and *could not be challenged in* civilian courts.

Human rights activists had criticised the courts on the grounds that they went against fundamental civil liberties, taking away the right of defence from civilians under trial.

A panel of seven judges ruled that the "military *courts for the trial of civilians*" were "unconstitutional, without lawful authority and of no legal effect".

Analysts and businessmen said the ruling would inevitably be seen as one that would weaken the government's hand and increase pressure for new legislation.

Mr Sharif has been criticised for ignoring parliament and running government through executive orders.

Pakistan may be warning for bond investors

By Edward Luce, Capital Markets Editor

International bond investors have been living a charmed life. But if the Paris Club of creditors succeeds in persuading Pakistan to reschedule its international bond payments, the charm could quickly drain away.

While their counterparts in the syndicated loan markets have been compelled to undergo countless rounds of negotiation to restructure emerging market debt over the last 20 years, bonds have generally been exempt from the process.

The rescheduling of Latin America's syndicated debt liabilities in the 1980s took almost 10 years to complete and caused many a banker to go prematurely grey. Bond holders, however, were let off the hook chiefly because their holdings were minuscule compared with what was owed to the banks.

Since the mid-1990s, all *this has changed. Led by the* Latin Americans and more recently countries such as Russia, Turkey, Korea and the Philippines, emerging markets have increasingly bypassed the banks and turned to the bond markets as an alternative source of capital. This means that bond investors are highly unlikely to be exempt from future debt rescheduling arrangements.

Many in the bond markets believe that the Paris Club is using its demand that Pakistan reschedule its international bonds as a "dress rehearsal" for an equivalent demand on Russia, which has $15.4bn of outstanding eurobonds. Under its "comparability" clause, any Paris Club rescheduling must be applied to other creditors.

Unlike loans, which are typically held by syndicates of between five and 50 banks, bonds are distributed to thousands of unrelated investors. If the bond was issued in a bearer rather than a registered form, most of these investors are likely to be anonymous.

To make matters worse, most international bonds have clauses which require the unanimous approval of investors before their terms can be changed. This makes bond restructuring highly vulnerable to litigation.

The International Monetary Fund and most western governments believe that the documentation on international bonds has to be changed to make it easier for sovereign borrowers to restructure their obligations. Though the loan markets are hardly a model of simplicity (or speed), most proposals are designed to make bonds more like loans.

Clifford Dammers, head of the International Primary Market Association – the body representing the international bond markets – says there are three basic proposals. "We can live with some of them but others are not acceptable," he explains. "No government is proposing *to legislate any changes,* so it is primarily up to the market itself."

The most sweeping proposal is to introduce "sharing" clauses on bonds, which would mean that any proceeds resulting from litigation against the borrower must be distributed equally between all the creditors.

Second, the G22 and the G30 group of countries have suggested introducing "majority action" clauses in bonds, enabling rescheduling to take place with a majority of, say, 75 per cent of bond holders instead of 100 per cent on most existing international bonds.

Lastly, trustees should be appointed for each separate *bond issue to look after the* interests of the creditors. "Having a trustee benefits both the borrower and the investor," said Christopher Duffet, managing director of Law Debenture, a trustee.

"From the investor's point of view, you have a professional representative who can negotiate on your behalf *and from the borrower's, you* can be protected from maverick legal action."

Mr Dammers says the market opposes the sharing clause but would consider the suggestion that trustees should be appointed to sovereign bond issues. "We might look at majority thresholds of 95 per cent but not much lower," he said. But there was little sign that any of the reforms would be adopted soon.

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South Africa cuts corporate tax rate

By Greta Steyn in Cape Town

Trevor Manuel, the South African finance minister, yesterday announced a surprise cut in the corporate tax rate from 35 per cent to 30 per cent, when he delivered his 1999/2000 budget in parliament.

With a general election due in May and the economy in recession, Mr Manuel was not expected to provide any incentives for the business community.

The tax cut, which drew sharp criticism from the left, was applauded by business people but failed to inspire the Johannesburg stock exchange which closed slightly lower.

The bond market rallied, however, as Mr Manuel announced a lower borrowing requirement. The finance minister also signalled a change towards a less interventionist industrial policy when he said the government would not renew special tax incentives aimed at encouraging investment in productive capacity when they expire on September 30.

The revenue loss combined with the cut in the company tax rate would amount to R2.5bn ($410m) which, although not substantial, was regarded as a confidence-boosting gesture.

Over and above the 30 per cent tax on profits, South African companies have to pay a further 12.5 per cent on dividends distributed to shareholders.

With the election in mind, Mr Manuel announced significant personal income tax cuts for low income earners, most of whom are members of the trade unions which form part of an election alliance with the ruling African National Congress (ANC).

"Lessening the tax burden on ordinary working people is a key objective of government. They benefit most from the changes we make today, with over half of the relief going to people with incomes of less than R70,000 ($11,500) a year," Mr Manuel said.

Humphrey Khoza, the president of the South African chamber of business, said business welcomed the reduction in the company tax rate, but regretted the intention not to extend tax concessions.

"This is a positive move...There is no doubt we have to bring the level of tax down in South Africa," said Leslie Boyd, chairman of Highveld Steel & Vanadium.

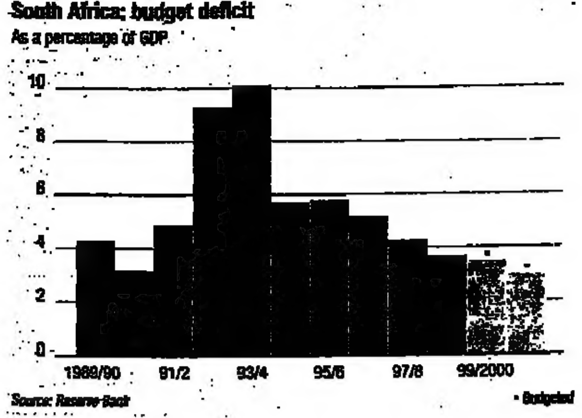
Mr Manuel resisted the temptation to buy votes, cutting non-interest expenditure in real terms. When interest is included, overall spending is budgeted to rise about 6 per cent in the 1999/2000 fiscal year, compared with a projected inflation rate of 5.5 per cent.

Mr Manuel announced a special allocation of R1bn for poverty relief and job creation, which would partly go toward community based public works programmes. There was pressure on him to take some action to alleviate South Africa's unemployment rate, which is estimated at 38 per cent.

"This is not an election budget. But it is a good news budget and it demonstrates policy consistency," Mr Manuel said.

Policy consistency was apparent from further reduction in the budget deficit, which has fallen from a peak of about 10 per cent in the 1993/94 fiscal year, before the ANC came to power, to a budgeted 3.5 per cent in the 1999/2000 year.

Mr Manuel was able to reduce the deficit and give tax relief because of substantially improved revenue collection. More efficient tax collection has yielded surprising revenue gains, resulting in a revenue overrun in the last fiscal year despite the unexpected economic slowdown. Mr Manuel expects the gains from more efficient collection to continue in the new fiscal year.



Source: Reserve Bank

Cape Town's dispossessed seek to erase the scars of apartheid

60,000 people lost their homes when the vibrant multiracial District Six was obliterated by the white regime. **Victor Mallet** reports on an attempt to undo the damage

Noor Ebrahim indicates the spot where he once lived in 247 Caledon Street, next to St Mark's Church between Table Mountain and the sea. There is nothing to show there was ever a street here, let alone a house. He is pointing at the paved surface of a car park at the new Cape Technikon.

Mr Ebrahim lived in District Six, a name that was to become a symbol of the lunacy of apartheid. In 1966, the government declared this teeming, poverty-ridden, multiracial district at the heart of Cape Town to be a "white area" under the Group Areas Act.

Over the next decade, about 60,000 people – Moslems, Christians, blacks, "coloureds", Jews, merchants, gangsters, teachers, children – were moved and their homes and shops demolished. Only a few mosques and churches were left standing, isolated amid the rubble, spared by a bizarre apartheid ethic that respected religion but persecuted congregations. Much of the wasteland that remained is still an embarrassing scar in the middle of the city.

With apartheid now ended, Mr Ebrahim and other former residents want to return to District Six and rebuild it with the help of the African National Congress government – and to create an example that might be followed by other dispossessed South African communities.

"We are coming back," says Mr Ebrahim, 55. "Hopefully they will start building again in two or three years."

Mr Ebrahim, whose Indian grandfather married a Scottish woman, watched his house being bulldozed in 1975. He now works at the District Six museum. "It was a place where people loved and cared for each other and colour didn't matter," he says. "We were a threat to the apartheid government because we proved that living together could work."

Former residents were jubilant when an outline agreement to redevelop the area was signed last September by the District Six Beneficiary Trust, the Department of Land Affairs and the City of Cape Town. All three groups want building plans finalised by the end of 1999.

"The challenge in District Six is to integrate the restitution process with urban development," says Derek Hanekom, the minister responsible for agriculture and land reform. "By the end of this year I feel confident we'll have dealt with the District Six claim."

But land restitution is not proving easy to manage either in District Six or in the rest of the country.

'It was a place where people cared for each other and colour didn't matter'

About 3.5m people were moved from their homes under the Group Areas Act. Out of 63,455 claims lodged nationwide between the ANC's coming to power in 1994 and the deadline at the end of last year, only 31 have so far been settled.

The 2,400 claims received for District Six demonstrate some of the problems. Unlike the equally vibrant Sophiatown area of Johannesburg – which was resettled by whites and renamed Triomf (Triumph) – property in District Six was largely shunned by the embarrassed liberals of Cape Town. But the government built the huge Technikon and some whites did buy homes, leaving only about a third of the original area vacant.

The previous government also erased the original grid of town streets by building new roads. And the inhabitants – scattered all over the Cape peninsula, "coloureds" to bleak and distant suburbs such as Mitchell's Plain, blacks to black townships, Indians to Indian areas and whites to white ones – do not always agree on what should be done.

For all the romanticised memories of the community spirit of District Six, there are inevitably disputes between political factions, religious groups and even between generations of the same family. To make matters still more complicated for the District Six Land Claims Unit trying to process the applications, tenants and sub-tenants are granted almost equal restitution rights under the law as property owners, and many of those owners were absentee landlords.

Of the 2,400 claims, only 20 have so far been investigated and prepared for settlement. Rhoda Kadalie, head of the unit, reckons it will take another two years to complete the rest. "There are so many anomalies that they become the rule rather than the exception to the rule," she says.

All the protagonists agree that the best way to rebuild District Six is for claimants – except those who will accept financial compensation or alternative land elsewhere – to sign over their rights to a trust, which can then organise a coherent plan to develop affordable housing.

There is also agreement that the sooner land restitution is carried out, the more likely it is that the government – still firmly committed to righting the wrongs of the apartheid era – will be prepared to pay. "This must come from the national coffers," says Terence Fredericks, one of the leaders of the Beneficiary Trust. "The longer it drags on the less money will be available."

South Africans are anxious to avoid the experience of Zimbabwe, where race relations since independence in 1980 have been soured by long delays in land reform, shortages of funds and controversial government decrees announcing imminent land seizures from white farmers. Mr Hanekom says he thinks all South African land restitution claims can be resolved within 10 years.

That might be optimistic, but if the development of District Six succeeds it could show the way for the rapid settlement of other urban claims. Mr Ebrahim will never get his house back, or even a new house exactly where the old one was. But at least he might be able to live in the place where he was born, between the mountain and the sea.

A group of youths clear blocks from the rubble of a house bulldozed by the apartheid government in 1980 AP

Obasanjo picks northerner as running mate

By William Wallis in Lagos

Atiku Abubakar, a prominent politician from northern Nigeria and the inheritor of one of the most effective political machines in the country, was named yesterday as running mate to the former military ruler, Olusegun Obasanjo, in presidential elections in 10 day's time.

A former customs chief from the Fulani ethnic group, he originally went into the electoral process at state level, winning the seat of governor in the north eastern province of Adamawa.

But the role he has played in galvanising support within the People's Democratic Party for Gen Obasanjo's candidacy has propelled him into the front line for the presidential elections.

The February 27 poll is the last stage in a transition to elected rule which should, by May, establish a civilian government in Africa's most populous state for the first time in 15 years.

Unofficially, Mr Atiku inherited leadership of the financially buoyant political network led by the late Gen Musa Ya'ardua, a powerful northern general who was Gen Obasanjo's number two when he ruled between 1976 and 1979.

Gen Ya'ardua's popularity and calls for a swift end to military rule in 1995 led to his detention and later death under the former Abacha regime.

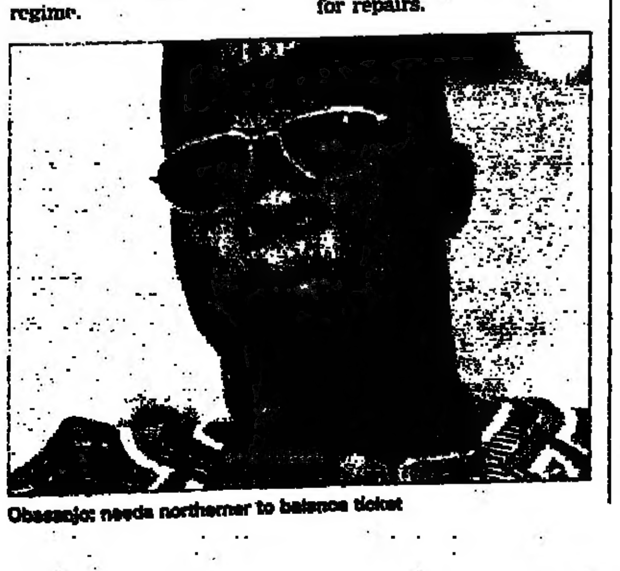
With regional tensions running higher in Nigeria than they have been since the civil war in the 1960s, a presidential candidate from the south must double up with one from the more populous north to stand a chance of winning.

While Mr Atiku will consolidate existing support for Gen Obasanjo in the north, he is unlikely to help him win over doubters in his own region, the south-west. There and elsewhere, there are fears that his presidency would represent little more than a continuation of northern-dominated military rule in a southern civilian guise.

"We think it takes a retired military man to deal with the military," said Mr Atiku recently, warning that other candidates might be unable to control the army during the delicate transition period.

This kind of argument does not wash among Nigeria's second largest ethnic group the Yoruba, in the south-west where the desire for a clean break from corrupt military rule is most pronounced, and where support for the other presidential contender, former finance minister, Chief Olu Falae, is strongest.

But dissarray and divisions within one of the two parties, the All People's Party, on whose platform Chief Falae is standing, is likely to be a handicap. With only 10 days to go before the elections, there is little time for repairs.



Obasanjo: needs northerner to balance ticket

NEWS DIGEST

OIL FOR FOOD PROGRAMME

Iraq oil output at 2m barrels a day

Iraq has pumped oil for export at a rate of more than 2m barrels a day since early December, raising about $1.23bn in revenues, $407m of which will go for supplies including food and medicines, the United Nations reported last night. These results were attained despite the oil industry's degraded infrastructure, on which it is now authorised to spend $300m every six months for improvements. Contracts approved for spare parts and equipment already exceeded $198m in the current period, the UN overseers said. A new contract that they approved was for a Panamanian company's purchase of 1m barrels of Kirkuk crude for export to Europe. The increase in overall sales volume was attributed to "upward adjustments" in several contracts approved earlier. Low oil prices and the poor state of its facilities has prevented Iraq's meeting a six month goal set by the UN of $5.26bn in sales. The report indicated some relaxation in the oil-for-food programme, with only about 100 contracts now waiting approval. In the past week alone, imports described as humanitarian included combine harvesters, printing materials, electrical spare parts, a heavy crane, lorries, medical books and pesticides. **Michael Littlejohns, New York**

LOCKERBIE SUSPECTS

Annan to give clarification

Kofi Annan, United Nations secretary-general, is to write to Libya with clarifications about arrangements for the trial of two suspects in the 1988 bombing of a Pan Am airliner over Lockerbie, Scotland.

At issue is the handing over by Libya for trial before a Scottish court in the Netherlands of two suspects. Libya confirmed over the weekend that it was willing to extradite the two alleged intelligence agents for trial but it first requested certain written assurances.

Mr Annan was expected to tell Libya UN monitors could ensure the suspects – Abdel Basset Ali Mohamed al-Megrahi and Lamen Khalifa Fhimah – would not be interrogated by British or American security services.

If convicted, they would have the right to appeal to a similar Scottish court sitting in the Netherlands and, if they lost their appeal, would have regular access to Libyan consular services while serving their sentence at Barlinnie jail, near Glasgow. **Reuters, New York**

UZBEKISTAN BOMBING

Security tightened in Tashkent

Soldiers were guarding key buildings in Uzbekistan's capital Tashkent yesterday following bomb attacks that killed at least 15 people. The emergencies ministry said the death toll from Tuesday's explosions, which President Islam Karimov said were an assassination attempt on him, rose to 15 overnight and that more than 130 people had been hurt.

A special task force composed of interior, security, and defence ministry officials had been set up to find out who was responsible for the bombings, an interior ministry official told Reuters. Some government buildings in the city centre were badly damaged and the central Independence Square was still cordoned off by police.

Soldiers guarded entrances to the headquarters of the Council of Ministers, or cabinet, the national bank and other important buildings. **Reuters, Tashkent**

EXECUTIVE SALARIES GOVERNMENT GIVES COMPANIES A LAST CHANCE TO AVOID EXCESS AND FAILS TO RULE OUT LEGISLATION

Ministers urge shareholder votes on pay

By Jane Martinson, Investment Correspondent

The government would like "to see companies choosing to put their remuneration policy to an annual shareholder vote to facilitate accountability and transparency", Stephen Byers, chief industry minister says in a letter to the Financial Times today. Legislation has not been ruled out, he says.

Mr Byers is attempting to make clear the government's disapproval following a stream of disclosures of multi-million pound pay schemes for executives at the UK's biggest companies.

Hermes, which runs the UK's biggest pension fund, has called for executive pay deals to be independently audited on behalf of shareholders if they are to be put to a vote.

Mr Byers says that companies and shareholders have one last chance to avoid pay excesses. He would "monitor the forthcoming round of annual general meetings closely for evidence of a more positive and responsible approach from companies and shareholders", the letter says.

Mr Byers did not rule out legislation to enforce annual votes on remuneration and re-election of boards. But colleagues said the more likely route was an amendment of stock exchange rules.

Peter Butler, corporate focus director of Hermes, which manages more than £30bn ($49bn) on behalf of the British Telecommunications and Post Office pension fund, yesterday welcomed the idea of voting on pay.

But he warned that annual votes could exacerbate the trend for companies to pay consultants to justify higher salaries. Independent advice in the event of disagreement would be needed to allow shareholders to justify their discontent, he said.

Hermes said an annual re-election of directors would encouraging short-term behaviour. Mr Butler said shareholders could currently call for an extraordinary meeting to remove directors if they garner enough support.

Hermes believes that the existing system on executive pay, in which companies typically outline proposed changes to a handful of shareholders ahead of a vote, was inefficient.

He echoed other shareholders by warning that the government's plans could increase executive pay rather than reduce it.

Companies brought in consultants to advise on pay following the Greenbury committee report in 1995. This development is widely credited with increasing levels of executive pay in the UK.

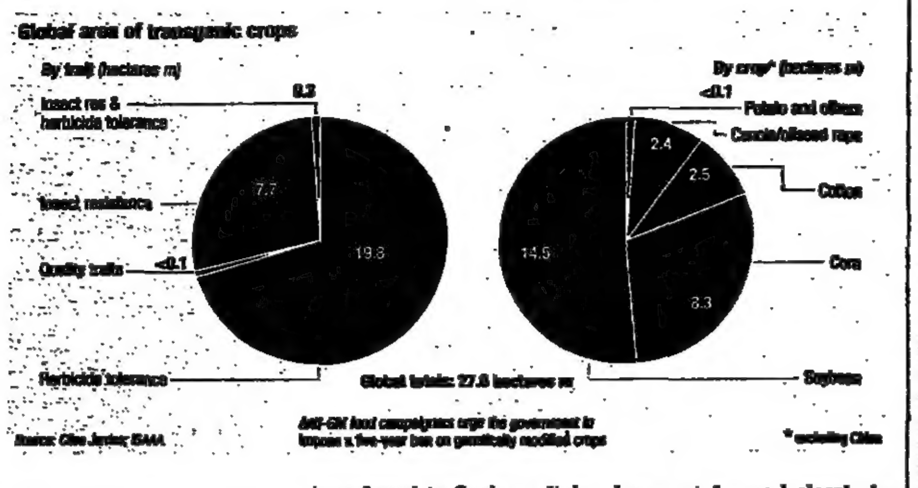
While institutional investor trade bodies have supported an annual vote on pay, few support the idea of yearly re-election of directors.

Mr Butler called for a debate. "We really have the chance to do something innovative here and to stop a transfer of what's going on in the US," he said. Executive pay in the US is typically much higher than in the UK.

Letters, page 10

Biotech groups fear backlash against science

The pharmaceutical sector says there is a danger the GM hysteria could hit medical research. **Clive Cookson** and **David Pilling**



Source: Clive James; ISAAA

Anti-GM food campaigners urge the government to impose a five-year ban on genetically modified crops

* excluding China

Opponents of genetically manipulated crops often seem to direct their anger at the biotechnology industry as a whole. But GM plants and food represent a small proportion of the UK biotech sector, which is dominated by pharmaceutical and diagnostics companies.

Even so, the whole biotech industry feels threatened by what many executives see as an irrational assault on science.

"It has been extremely difficult for the industry to get its message heard at all over the past week," says Aisling Burnand, public affairs director of the BioIndustry Association. "That is a concern to all our members, who are afraid of a knock-on effect on other areas, including the development of life-saving medicines."

John Padfield, chief executive of Chiroscience, a leading UK biopharmaceutical company, agrees. "Using genetically modified organisms to create new crops or food has the same scientific basis as using GMOs to improve human health," he says. "There is a crisis of confidence in the regulatory process, which we do not want to spread into the medical field."

But everyone in the industry applauds the pro-GM stand taken by Tony Blair, the prime minister, and other senior ministers. "I feel that the government does very much understand us and supports our type of business," Mr Padfield explains.

The UK biotech sector includes 460 small and medium-sized companies employing between 35,000 and 40,000 people, according to the BIA. About 6,500 of these work in agriculture and food biotechnology but the number employed directly on GM crops or food is believed to be much lower.

Axis Genetics is developing GM plants for use as edible vaccines. Iain Cubitt, chief executive, says Axis would not be hit directly if the UK introduced a five-year moratorium on GM crop planting "because we are a fledgling pharmaceutical company operating in an entirely different area".

> **'I feel that the government does very much understand us and supports our type of business'**

The UK company with most at stake is Zeneca, the life sciences group, which introduced clearly labelled GM tomato paste into Safeway and Sainsbury supermarkets in 1996. Its GM tomatoes are grown in California but the crop could be transferred to Spain or Italy next year, given regulatory approval.

Michael Pragnell, chief executive of Zeneca Agrochemicals, said the company's next big launch would be GM bananas, grown in the Caribbean to resist fungal disease. But they would not reach the European market until 2003. Zeneca also has limited field trials of GM maize, oilseed rape and sunflower in the UK and elsewhere in Europe.

Other international bioscience companies – notably Monsanto of the US, Novartis of Switzerland and AgrEvo of Germany – have moved into mainstream GM crops such as soya, maize and cotton – much more aggressively.

Mr Pragnell is mildly critical of their approach. "The debate has not been as well informed as it needs to be," he says. "The case has not been put forward clearly by those who marketed the early products."

He points out that a unilateral UK ban on GM crops would contravene EU rules. "[A ban] would encourage the emigration of science and companies," Mr Pragnell said.

In Germany, public opposition to GM crops does not extend to biotechnology as a whole. Germans draw a clear distinction between "red biotech" applied to human health and "green biotech" used to engineer crops.

No such distinction was made until the early 1990s and lobbying by the Green party forced big pharmaceutical companies, such as Bayer and Hoechst, to locate their genetic engineering facilities outside Germany. But opinion has shifted, partly as a result of high unemployment, particularly among academic scientists.

Tobacco groups urged to explain additives

By Simon Buckby, Social Affairs Correspondent

The government yesterday delighted anti-smoking campaigners by demanding the tobacco industry explain its use of up to 600 additives in cigarettes. There are concerns that some are designed to increase the addictive properties of nicotine.

A letter from medical officials at the Department of Health to David Swan, chief executive of the Tobacco Manufacturers' Association, said the government has "concerns regarding the purpose of additives in cigarettes" and called on the industry to justify their use. The letter was sent last December but leaked yesterday.

Concerns include the use of alkalis, such as ammonia, to increase the flow of nicotine to the smoker and the fear that cocoa is used in cigarette production to "ease the initiation of new smokers to the product". The letter also expressed concern about the use of additives such as menthol, which may be "suspected of facilitating inhalation" by numbing the throat.

The government has agreed a list of up to 600 permitted additives, which was last updated in March 1997, as part of a voluntary agreement with the industry.

The health department last night confirmed it had asked the industry to respond to various questions about additives. "There is rigorous scientific examination of permitted additives. The presence of additives has contributed to the lowering of tar levels but obviously we would rather people gave up," it added.

However, anti-smoking campaigners seized on the letter to press their case for additives that which make cigarettes burn longer to be banned, and yesterday called for tighter regulation. Clive Bates, director of Action on Smoking and Health, said: "The current tobacco regulations are ineffective and probably doing more harm than good."

The Tobacco Manufacturers Association said 95 per cent of products are entirely free from additives, adding: "We don't target children with any form of tobacco products.

"Any additives used in tobacco products made or imported into this country have been approved by the government and are within the limits permitted by the government."

A coalition of anti-smoking groups recently sent a letter outlining their objections to Tessa Jowell, the public health minister.

CROP RESEARCH LIFE SCIENCES GROUP TO OPPOSE UNILATERAL BRITISH ACTION

Monsanto may take case to Brussels

By David Wighton and John Willman

Monsanto, the US life sciences group at the centre of controversy over genetically modified crops, said yesterday it would resist any attempt to impose a moratorium on the development of GM foods in the UK.

The company, fined £17,000 ($28,000) yesterday for a breach of safety regulations at a test site for genetically modified oilseed rape, said it would challenge unilateral British action in Brussels.

Earlier Michael Meacher, environment minister, said the government was prepared to delay the commercial planting of GM crops in the UK, due to start next year. He said approval would depend on research on the impact of GM crops on the environment.

The opposition Conservative party claimed Mr Meacher's comments were a victory for its campaign for a moratorium. John Redwood, the party's chief industry spokesman, said that if commercial planting was pushed back to spring 2002 it would be "getting very close" to a three-year moratorium. "It is clear they have been shaken by the magnitude of the public reaction," he said.

The government insisted that it had not altered its position and pointed out that a moratorium would prevent the field-scale trials needed to assess the impact on the environment.

Mr Meacher's statement followed the publication of a leaked briefing paper from the government's environment department listing concerns raised by various groups about the use of GM crops.

Produced by the department's biotechnology unit, the list included the long-term effects on biodiversity and worries that widespread commercial use could hit certain wildlife species.

Mr Meacher denied accusations the paper had been suppressed and said a report addressing the issues raised in it would be published today by his department's Advisory Committee on Releases to the Environment.

Magistrates at Caistor in north-east England fined Monsanto after it admitted failing to maintain a border around its test site to stop the transfer of pollen from the herbicide-resistant rape to surrounding plants.

● An ethical investment research group launched a new service yesterday designed to identify companies involved in genetic engineering. Ethical Investment Research Service has developed benchmarks that can be used by investors to screen out undesirable companies based on their use of genetic modelling.

Competition warning over tax crackdown

By Jim Kelly in London

The government's crackdown on companies using a legal loophole to avoid paying stamp duty will add costs to British industry and make it less competitive in the global market, according to KPMG, the accountancy firm. Stamp duty is a tax on transfers of shares and securities.

The loophole has recently resulted in the loss of $1.2bn in tax. KPMG said, in the first reaction to the Inland Revenue's blocking of the loophole: "The key effect is to impose a significant new transaction cost on many UK companies."

The Revenue took action after BP and Amoco used the loophole – a legal technical device – to avoid paying $800m in tax on their merger. Astra and Zeneca, and Vodafone and Airtouch plan to use the device and will probably escape the crackdown as the deals are already far advanced.

"This does not sit well with the fact that global stock exchanges are becoming increasingly interlinked and the continued existence of stamp duty is a significant disincentive to listing shares in London," said Robert Turnbull, tax partner. "Significant tax costs can destroy the economics of a merger and can leave buyers from other countries free to pursue the target without incurring a similar tax burden."

Patricia Hewitt, a senior Treasury minister, in effect changed the law from midnight on January 31 – promising legislation in next month's Budget – to protect projected 1998-99 revenues of £2.4bn accrued from stamp duty reserve tax.

The loophole allows companies to avoid SDRT – levied at 1.5 per cent – on bearer shares denominated in a foreign currency and held in a depositary or clearance system.

SDRT catches transactions that would otherwise avoid stamp duty.

KPMG also warned that the proposed change could break the spirit of EU law in that it discriminates against some companies depending on where they are based in the EU.

"Existing UK law contains an exemption from the charge where a UK company is taken over. Where the target company is foreign it is odd that there should be a charge," said Mr Turnbull.

The firm said the government prepared legislation nine years ago to abolish stamp duty on the transfer of shares and securities in preparation for electronic share trading in London. "It is paradoxical that the Revenue is increasing the stamp duty burden whilst there still exists enabling legislation introduced nearly nine years ago to abolish it," it added.

NEWS DIGEST

THE ECONOMY

Unemployment figures fall to 18-year low

UK unemployment has fallen to an 18-year low, casting doubt on the belief that labour market pressures have begun to ease. The number of people out of work and claiming benefit dropped by 5,700 in January, from a revised 1.311m to 1.305m. The fall surprised City of London economists, many of whom were expecting an increase. The latest evidence of labour market tightness has made another interest rate cut in March less likely. The government was quick to seize on the strong figures as evidence of policy success. "There are well over 400,000 more people now in jobs than before the election. More people in work in Britain than at any time," said Gordon Brown, chancellor of the exchequer. The government's preferred measure of unemployment, the Labour Force Survey, showed numbers out of work falling slightly in the three months to December, down by 15,000 to 1.79m. **Christopher Adams and Robert Chote, London**

NORTHERN IRELAND PEACE DEAL

Meeting fails to end deadlock

The Northern Ireland peace process remained deadlocked last night after the first direct talks between the Ulster Unionists, the biggest pro-British party in the region, and Sinn Féin, political wing of the Irish Republican Army. Both sides were adamant there was no immediate sign of progress on a handover of weapons by paramilitary groups.

Martin McGuinness, Sinn Féin's chief negotiator, told a separate press conference: "You can't get around the table for an hour and a half, almost two hours, with two political parties that have never met one another before and hope to resolve all the difficult issues at the heart of this issue." David Trimble, UUP leader and first minister in the new regional administration, said his party had placed the onus firmly on republicans to deliver on the handover of IRA arms – the one area of the 1998 peace accord which, he said, had not been honoured.

● A 25-year-old man was recovering in hospital yesterday after a paramilitary-style punishment attack in Cedarmount in the north-west of Northern Ireland. The victim suffered two broken arms and head injuries.

FUND MANAGEMENT

Active mangers 'underperform'

Most active retail fund managers have underperformed their passive – or index-tracking – counterparts in the past 10 years, according to research published yesterday. The study of funds worth £35bn ($57bn) by WM, the performance measurement company, found that 75 per cent of active managers, who aim to beat the index by making stock or sector judgments, failed to do so in the UK growth and income sector once fees were taken into account. WM – commissioned by Virgin Direct, which offers index-tracking retail products – chose 149 equity unit trusts in the growth and income sector because it is the market's biggest retail sector. Alistair MacDougall, research director at WM, said: "The average active manager will always underperform the index because it costs more."

Active managers have been losing ground to their passive counterparts in the UK in recent years as the index has soared largely on the back of the market's biggest companies. Index tracking is believed to represent 20 per cent of the UK equity market. **Jane Martinson, London**

POOR NATIONS' DEBT

Ali visit supports campaign

Muhammad Ali brought the streets of the London district of Brixton to a standstill yesterday during a visit to a centre campaigning to cancel Third World debt. Ron DiNicola, lawyer and agent for the former world heavyweight champion, spoke on Ali's behalf. "It's a terrific honour for him to be in England, a country that he loves and a country he has had a warm, long-standing relationship with. It's an honour for him to be here in support of such a worthy cause as Jubilee 2000." Ali is pictured shaking the hand of girl who met him after he had laid a wreath at a London monument as part of the debt campaign.

MODERN ART

Important Miró secured for UK

One of the great images of Surrealist art, *Head of a Catalan Peasant* by the Spanish artist Joan Miró, has been acquired by UK institutions. It will be displayed in turn at the new Tate Gallery of Modern Art in London and the Scottish Gallery of Modern Art in Edinburgh. The painting was owned by the late Sir Roland Penrose, the celebrated collector, and was sold by his estate in a private treaty sale that valued the painting at £2.1m ($3.4m). The two galleries each contributed £900,000, with the remainder coming from the National Art Collections Fund. It was the fund's biggest commitment towards acquiring a 20th century work of art. The Miró is the first major painting that the Tate has secured for Bankside, new London gallery to open in May 2000. **Antony Thorncroft, London**

Petrol retailing industry braced for internal combustion

Consolidation might be on the agenda as competition, rising duties and low margins make life difficult. **Thorold Barker** reports

Petrol retailers in the UK have raised pump prices during the past 18 months though the cost of refined petrol has fallen sharply. But margins have remained thin.

The industry has agreed to hand out 15m leaflets on garage forecourts to remind drivers that prices are largely driven by government duties and value added tax. "What people seem to forget is that 85 per cent of the money from a litre of petrol goes to the chancellor. Tax increases alone will keep adding about 4½p a year to the price," says James Frost, chairman of Save Group, the biggest independent operator which runs more than 400 outlets. "That more than offsets any fall in the price of buying petrol from refineries."

Save recently revealed it made no profits in the final quarter of 1998 because of fierce competition from supermarkets and big oil companies.

Pricing has been very competitive since the oil leaders decided to match the supermarkets in 1996. The ensuing price war slowed the supermarkets' rapid gains in market share – they now have about 22 per cent – but is believed to have cost Esso alone up to £200m ($326m) in one year.

"Margins have never recovered," says Mike Harle, Shell UK marketing manager. "They are still well short of offering anything like acceptable returns."

The oil companies have tried to offset this by taking on the supermarkets at their own game. Analysts estimate that more than 50 per cent of profits from some sites now come from food and other products. "The move to convenience stores has been about improving profitability; it's where all our actions are headed," says Mr Harle.

Independent stations – which make up about 53 per cent of the country's 14,000 outlets – have been squeezed.

Many were too small to survive on petrol sales at low margins and too slow to adapt by expanding their convenience stores. The Petrol Retailers Association estimates that 450 petrol stations were forced to close in 1998, taking the total to 2,600 in three years.

Supermarkets – which operate outlets selling about five times the national average in litres – are rolling out about 50 new filling stations a year even though UK petrol sales are static. The Asda supermarket chain last week launched a new national price offer for fuel, undercutting its rivals by about 3 per cent.

Further consolidation in the industry might be on the agenda and Save is an obvious takeover target. Its market capitalisation has fallen from £183m at the beginning of 1996 to £42m. But even at that price buyers might not be tempted in the current gloomy environment.

Repsol, the Spanish oil group which has about 190 UK petrol stations, including the Anglo brand, has hinted it might sell its network.

Analysts also question the UK viability of brands like Q8 and Murco, both owned by multinational oil companies. Consolidation could be hastened by the trend among retailers and oil companies to bury the hatchet and try to maximise their returns by going into partnership.

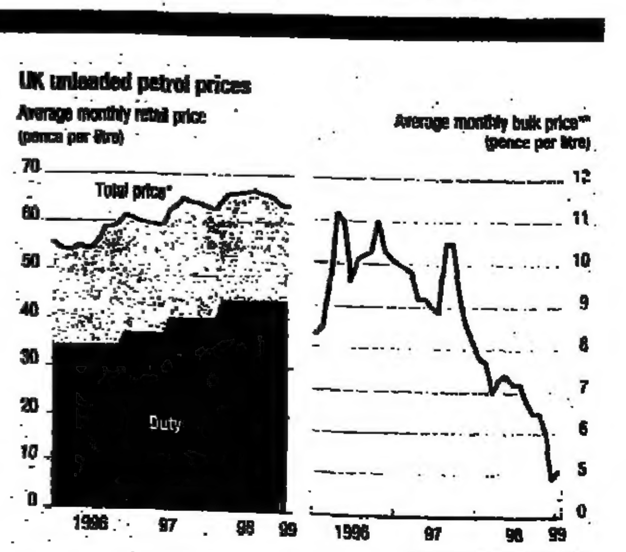
Elf, BP and Esso have joined forces with the Somerfield, Safeway and Tesco retail chains respectively.

Shell and Sainsbury have – so far – decided to go it alone. Tesco, which announced its joint venture in August, insists the link is only on a pilot basis and competition against Esso – and others – will remain fierce at existing sites.

But co-operation between retailers and oil companies makes too much sense to dismiss as a passing phenomenon.

The retailers get access to prime neighbourhood sites for convenience stores – one of the fastest-growing segments for food retail – which are already owned by the oil companies.

The oil companies – which have found it difficult to graduate from selling cigarettes and chocolate to running mini-supermarkets – acquire retailing experience. And they both share the profits.



Sources: Institute of Petroleum; Petrol Retailers Association

*Includes duty and VAT at 17.5%
** ex-refinery

CINEMA

Cracking up in the chill of the north

Martin Hoyle is swept along by an uncompromising portrayal of a man's inexorable disintegration

There is no more potent symbol of remorseless purity than snow: a silent, caressing killer, impervious, detached, isolating communities and consciences. It can be no coincidence that Ibsen's giant *moral choices* and Strindberg's venting of inner poison were the product of a merciless northern chill.

Affliction has garnered Oscar nominations for Nick Nolte and James Coburn. Its writer-director

AFFLICTION
Paul Schrader

HOLY MAN
Stephen Herek

THIS YEAR'S LOVE
David Kane

NEWS FROM THE GOOD LORD
Dider le Pêcheur

FOREIGN LAND
Walter Salles and Daniela Thomas

Paul Schrader has won the Writers Guild of America Lifetime Achievement Award. But it is Paul Sarossy's camerawork in this small snowbound town that remains in the memory: the blurred charcoal smudge of a sky at dusk, the mud-brown tinge of daytime skies heavy with their unshed load. As fog sets the mood for Dickens' *Bleak House*, so the soul-chilling snow permeates *Affliction*.

Nolte plays Wade Whitehouse, *lone local* policeman and part-time employee of the town businessman. He's struggling for custody of his daughter, haunted by memories of his drunken father's brutality, desperately propping up self-respect both personal and professional. Wade is a lightning conductor for the world's ills: the toothache that racks him is a symbol of his own decay and the rot he senses around him. The chance of redemption comes when a wealthy tourist is killed in a hunting accident. Wade scents murder, corruption and conspiracy. Tragedy results.

The voice-over narration by Wade's successful academic brother (Willem Dafoe) comes within an inch of toppling the film into portentousness, but Schrader's otherwise austere direction and Nolte's uncompromisingly raw portrayal of a man cracking up keep it firmly on track. Photographed from a child's-eye view in grainy flashback, Coburn makes a frightening bogeyman as the violent father. As the old man of the present, an inescapable hint of geniality undermines the intended picture of a monster. This is a *small* flaw in a fine cast, including a typically sensitive performance from Sissy Spacek as Wade's long-suffering girlfriend. Nolte makes Wade's disintegration as inevitable as Lear's, while the snow falls, as inexorable as judgment.

★

Judgment, or at least satirical comment, is expected in an Eddie Murphy movie set in the world of *television consumerism*. *Holy Man* doesn't quite deliver though it bowls along amiably enough. Murphy is a mysterious guru known simply as G who appears out of nowhere, is grudgingly befriended by Jeff Goldblum's harassed TV exec, and works a sort of magic on the shopping channel that urges people to buy tat which they subsequently never use. Tom Schulman's script has its cake and eats it by making the spiritual G preach against the junk advertised by the network, while so enrapturing the public that they flock to buy it, thus saving Goldblum's job in a nifty deal between God and Mammon.

One waits for the satirical kick, the cynical twist. Alas, it never comes. Murphy is unrelentingly radiant as G. There is even a heavily symbolic bathe in the sea with Goldblum with overtones of baptism. For a terrible moment it seems not only that G might be Gard but that the reborn TV executive might emerge as the Son of Gard. Now that *could* trigger off a *deadpan satire*.

Instead we get a sentimental ending when G, resuming his earth-kissing travels, assures his starry-eyed admirers that "We're going to be together every time we think of one another"; and adds a gloss to the go-getting mantra which Goldblum chanted in his unregenerate ruthless days: "Your good is better; your better is *blest*." Thus sanctifying business success, the film (who can doubt it?) is obviously intended to pack a *spiritual* message. Pleasant moments include send-ups of TV commercials, including Morgan Fairchild, face from a thousand shopping catalogues, gamely spoofing herself – but all very gently, as if nobody really doubted the worthiness of consumer television.

At least *Holy Man* belongs to a recognisable world. *This Year's Love* is purely formulaic: a group of rather middle-aged and not very hygienic young people drift through sexual musical chairs in self-consciously shot London locations. *The film suggests a plethora* of Scots around Camden Lock, but then it is written and directed by Glasgow-based David Kane. I can't help feeling that the enterprise would have had less artifice and more spark set in that irrepressible city.

The characters rarely rise above stereotype, from Jennifer Ehle's posh girl with a *nostalgie de la boue* ("I went to Roedean – would you believe it?" she signals, just in case we don't) to Dougray Scott's voracious womaniser and Ian Hart's Scouse nerd. Kathy Burke's airport cleaner-cum-pub singer almost comes to life, though again given too much articulate self-awareness to ring true. The cast is pretty good, though Ehle's perpetual sweetness (she deploys *un certain sourire* and not much else) hardly indicates the spoilt slummer. Admirably, however, unlike that other sexual merry-go-round with Ehle, the twee *Bedrooms and Hallways* (shown at the Edinburgh Film Festival but not so far *released*), *this film shows a seething* London that actually looks as grubby, tacky and tawdry as the capital of Cool Britannia really is.

★

News from the Good Lord is sometimes intentionally funny, often not funny when it should be, and occasionally funny when not intended. When a famous French novelist dies, an already off-the-wall couple (brother and sister who seem to live in a taxi) take his suggestion that we exist only in the mind of a creator as starting-point for a mad odyssey in search of the Wizard of – I mean God. On the way they pick up a virgin (but not for long) priest, a kidnapped policewoman who enthusiastically sees to his sexual education, a spiritualist, and a suicidal girl who turns out to be the writer's widow.

Being French, *News from the Good Lord* observes mad logic. If life doesn't exist death doesn't matter. They find the bluebird of happiness in the writer's own back garden – well, God in a blue *cardie, foul-tempered and clay-pigeon* shooting. Didier le Pécheur directs from his own novel; which might lead us into more metaphysical conjecture about creation.

★

Foreign Land hauntingly blends the themes of alienation and self-definition with a thriller about smuggling and drug dealing. Walter Carvalho's black and white photography turns into a *film noir* with the time-honoured climax of a doomed couple on the run. The writing/ directing team of Walter Salles and Daniela Thomas touch on the economic upheavals in Brazil and their effect on individuals: and exile in a distant land (Portugal). Evocative, touching elusive chords, it can be enjoyed as a thriller, beautifully acted by Fernanda Torres and Fernando Alves Pinto as the fugitives who are also on a quest for identity.

The toothache that racks him is a symbol of his own decay and the rot he senses around him: Nick Nolte in Paul Schrader's 'Affliction'

MUSIC

Singer in his prime

The career of Simon Keenlyside has gone into orbit. His strong, stylish baritone was widely remarked as "promising", a few years ago; now he is appearing at most of the world's leading opera houses. In London on Tuesday he gave a Wigmore Hall recital with Malcolm Martineau to a capacity audience, and it was splendid to hear.

The concert was part of the Wigmore's Schumann series, and Keenlyside's allotted task was the op.35 set, a dozen songs on poems by Justinus Kerner. Though they were composed in 1840, Schumann's *annus mirabilis*, they are nobody's favourites; Kerner's texts are standard German-Romantic stuff, part nature-worship, part hopeless love, with lashings of self-pity. The only song often heard is "Erstes Grün" shorter and sweeter than the others.

Keenlyside delivered it precisely and affectingly, as he did the whole set. With good – if not quite "native" – German, intelligently used, he exposed a whole dramatic range that few of us had guessed to be available in these *Kerner-Lieder*. Beautiful timbre, virile authority: Keenlyside's voice is not remarkably large, but it is absolutely in its prime. He can wield it with thrilling force, especially in the high register, and yet without a trace of hardness.

Martineau is one of the best accompanists around, though he has a foible for making a meal of any tempting epilogue. Keenlyside and he also performed three of Schumann's *Wilhelm Meister* songs after Goethe.

After the interval, they switched into Gallic mode. Keenlyside's French is as cultivated as his German, and they gave a richly detailed, memorable account of Poulenc's wonderful cycle after Paul Eluard, *Tel jour, telle nuit*, from the visionary "Bonne journée" to the closing love song, "Nous avons fait la nuit".

More well-chosen Poulenc followed – in which, incidentally, Martineau sounded a touch heavy-handed: his broad, expansive manner is some way from Poulenc's own crisp pianism.

Also a couple of other songs: Debussy's early, very pretty "Nuit d'étoiles" and Fauré's setting of Verlaine's "Mandoline". Debussy's setting of that is more famous, but Fauré's is exquisitely neat and wry – as it sounded here.

With so much opera on his agenda these days, it is impressive that Keenlyside can still do a big, serious programme of *Lieder* and *mélodies* with such devoted commitment and style.

To judge by the response of Tuesday's audience, he could fill the hall every week doing the same thing. He is very good to hear.

David Murray

Cat's cradle of love, honour and duty

THEATRE

SARAH HEMMING

Le Cid
Riverside Studios, London W6

Racine has recently made his mark on the West End; now it is *the turn of that other giant of* French classical drama, Corneille, the 17th century tragi-comedian, as *Le Cid* comes to the Riverside Studios at the hands of Declan Donnellan.

This is Donnellan's second brush with *Le Cid* – his Cheek by Jowl company staged it in English a decade ago – and it shows. This French production (with English surtitles), first shown at the Avignon Festival last year, is superbly fluid and intelligent.

Looking at the play now it is hard to believe that the Academie Francaise complained at its lack of adherence to the rules, so strictly structured and tightly controlled does it seem to us, written in those rhyming Alexandrines that produce a sing-song quality alien to the English ear.

But Donnellan embraces this formality while emphasising the play's enormous drive and vitality. His production, played out on a bare wooden floor, rarely stops *moving, swirling from scene to* scene like an elaborate dance, so emphasising the tension between the formal style and the intense feelings that bubble underneath. At the outset, the characters, members of the Spanish court, move cautiously; at the height of the action they are being blown about the stage like leaves on a windy day.

Corneille focuses on the intolerable load placed on two young lovers by their filial duties under strict codes of honour. Both have dutifully awaited their fathers' approval before becoming betrothed, and, as the play opens, this long-awaited moment has just arrived. But happiness is snatched away when Chimène's father slaps Rodrigue's father in a quarrel.

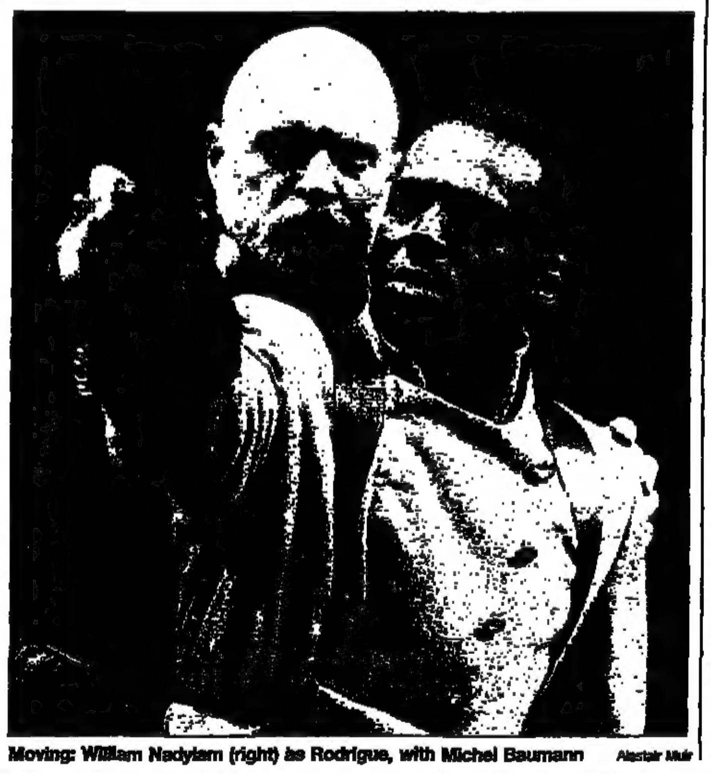
Rodrigue is obliged to avenge his ageing father by killing the parent of his one true love. And so commences a cat's cradle of love, honour and duty in which Rodri*gue and Chimène become further* entangled.

Donnellan keeps up the pressure by bleeding one scene into the next and having the fights, through which honour is redeemed, played out silently as the dialogue continues. The stage is empty, with only Judith Greenwood's eloquent lighting sculpting the mood, reminding us that nothing mundane ever seeps in to intervene with the characters' moral dilemma. Likewise, Chimène's dead father (Philippe Blancher) haunts the stage, beadily watching her, so that we are drawn into her tormented, almost possessed state of mind.

As Chimène, Sarah Karbasnikoff give a fine portrayal of a woman driven nearly mad by her conflicting desires, while William Nadylam is excellent as Rodrigue. His "Cid" is no ramrod hero, but a quiet, graceful youth, ardent in his devotions, aghast at his fate and even at his military *prowess*.

In common with the rest of the cast, he speaks those rhyming couplets as if their neat expression of his dilemma might somehow help him solve it, and, movingly, in his speech describing the heroic battle with the Moors that secures his safety, he is unable to bring himself to utter the words that tell of his enemy's destruction – this is one of the few still moments in the production.

So it is that while the staging has beauty, elegance and wit, it leaves you with a striking impression of a society whose brittle civilisation is underpinned by expediency and violence.



Moving: William Nadylam (right) as Rodrigue, with Michel Baumann Alastair Muir

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA

Netherlands Opera, Het Muziektheater

Tel: 31-20-551 8911

Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart; Feb 18, 21, 24

BERLIN

OPERA

Deutsche Oper

Tel: 49-30-34384-01

Rise and Fall of the City of Mahagonny: by Kurt Weill, libretto by Brecht. New staging by Günter Krämer, conducted by Lawrence Foster, with designs by Gottfried Pilz and Isabel Ines Glathar; Feb 20, 24

CARDIFF

OPERA

Welsh National Opera

Tel: 44-1222-464 666

Peter Grimes: by Benjamin Britten. Carlo Rizzi conducts a new staging by Peter Stein. With sets by Stefan Mayer and costumes by Moidele Bickel. Cast includes John Daszak and Janice Watson; Feb 20, 24

CLEVELAND

EXHIBITION

Cleveland Museum of Art

Tel: 1-216-421 7340

www.clemusart.com

Diego Rivera: Art and Revolution. Major retrospective of the Latin American painter and folk hero. Rivera was a pioneer of the muralist movement, and his work is unique in 20th century art. This show features 125 works and includes public and private loans from Europe, Japan and Mexico; to May 2

GLASGOW

OPERA

Scottish Opera, Theatre Royal

Tel: 44-141-332 9000

Der Rosenkavalier: by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 18

LONDON

CONCERTS

Barbican Hall

Tel: 44-171-638 8891

● London Symphony Orchestra: conducted by Myung-Whun Chung in works by Rachmaninov, with piano soloist Jean-Yves Thibaudet; Feb 18

● London Symphony Orchestra and Chorus: conducted by Myung-Whun Chung in Mahler's Symphony No. 2, with soprano Andrea Dankova and alto Sara Mingardo; Feb 21

Royal Festival Hall

Tel: 44-171-960 4242

● Mikhail Pletnev: recital by the pianist of works by Bach, Mendelssohn, Grieg and Schumann; Feb 21

● Philharmonia Orchestra: conducted by Leonard Slatkin in works by Karel Husa, Tchaikovsky and Dvorák, with violin soloist Cho-Liang Lin; Feb 20

OPERA

English National Opera, London Coliseum

Tel: 44-171-632 8300

Parsifal: by Wagner. Conducted by Mark Elder in a new staging by Nikolaus Lehnhoff, with sets by Raimund Bauer and costumes *by Andrea Schmidt-Futterer. Cast* includes Kim Begley and Jonathan Summers; Feb 20, 23

LOS ANGELES

CONCERTS

Dorothy Chandler Pavilion

Tel: 1-213-365 3500

Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in the world premiere of John Adams' Naive and Sentimental Music. Programme *also includes works by Haydn* and Schumann. With cello soloist Heinrich Schiff; Feb 19, 20, 21

MUNICH

CONCERTS

Philharmonie Gasteig

Tel: 49-89-5481 8181

● Munich Philharmonic Orchestra: conducted by Ingo Metzmacher in works by Schubert and Henze; Feb 21, 22, 23

● Prague Symphony: conducted by Tomás Koutnik in works by Dvorák and Mendelssohn-Bartholdy, with violin soloist Pavel Sporcl; Feb 19

NEW YORK

DANCE

New York City Ballet, New York State Theater

Tel: 1-212-870 5570

Celebrating Five Decades of Repertory: continuing 50th anniversary celebrations; Feb 18, 19, 20, 21

OPERA

Metropolitan Opera, Lincoln Center

Tel: 1-212-362 6000

www.metopera.org

Moses and Aron: by Schoenberg. Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson; Feb 20, 23

PARIS

CONCERTS

Salle Pleyel

Tel: 33-1-4561 6589

● Orchestre de Paris: conducted by Christoph von Dohnányi in works by Donatoni, Bloch and Beethoven. With cello soloist Eric Picard; Feb 18

● Orchestre de Paris: conducted by Christoph Eschenbach in works by Brahms, with piano soloist Tzimon Barto; Feb 24

Théâtre des Champs Elysées

Tel: 33-1-4952 5050

Orchestre National de France: conducted by Pinchas Steinberg in works by d'Indy, Saint-Saëns and Prokofiev, with piano soloist Jean-Philippe Collard; Feb 19

PRAGUE

DANCE

National Theatre of Prague

Tel: 420-2-2108 0131

www.anet.cz/nd

The Nutcracker: by Tchaikovsky, in a staging by Russian choreographer Jurij Grigorovic, with sets and costumes by Simon Virsaladze; Feb 24

ROME

EXHIBITION

Palazzo Venezia

Tel: 39-06-841 2312

'700 Veneziano: Capolavori da Ca' Rezzonico. Display of 18th century Venetian art, lent by the Venetian museum to the Palazzo Venezia, which once housed the city's ambassador to Rome. Includes works by Canaletto, Guardi, Longhi and Carlevarijs, and Tiepolo's fresco cycle made for his villa at Zianigo; to Feb 18

TAMPERE

EXHIBITION

Sara Hildén Art Museum

Tel: 3583-214 3134

www.tampere.fi/hilden

Tony Cragg: 33 sculptures and a large number of drawings by the British-born artist, now working in Germany. The works on display are from the period 1988-1998; to May 9

THE HAGUE

EXHIBITION

Gemeentemuseum

Tel: 31-70-3388 1111

Silver from the time of the United East India Company (VOC): display of silver manufactured in the 17th and 18th centuries in former Batavia, by Dutch and other European silversmiths. Works from the collection are supplemented with important private loans; to Mar 21

TOKYO

CONCERTS

Suntory Hall

Tel: 81-3-3584 9999

● Japan Shinsei Symphony Orchestra: conducted by Chosei Komatsu in works by Hosokawa, Gershwin and Rachmaninov, with piano soloist Makoto Ozone; Feb 20

● NHK Symphony Orchestra: conducted by Eugeny Svetlanov in works by Prokofiev and Beethoven, with piano soloist Nikolai Petrov; Feb 18

● Yomiuri Nippon Symphony Orchestra: conducted by Rafael Frübeck de Burgos in works by Rodrigo and Falla, with guitar soloist Kazuhito Yamashita; Feb 19

VIENNA

EXHIBITION

KunstHausWien

Tel: 43-1-712 0495

Jean-Michel Basquiat: Paintings and Works on Paper. 100 works on loan from the Mugrabi Collection make up the first show in Austria devoted to the black-hispanic US artist, who died in 1988; to May 2

ZURICH

EXHIBITION

Kunsthaus Zurich

Tel: 41-1-251 6765

Chagall, Kandinsky, Malevich and the Russian Avant-garde: exhibition exploring the artistic upheavals of the first two decades of this century. Includes important loans from the State Hermitage Museum in St. Petersburg; to Apr 25

TV AND RADIO

● **WORLD SERVICE**

BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**

Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

SAMUEL BRITTAN
ECONOMIC VIEWPOINT

Narrowing the gap

The British government now sees more clearly how it will try to pass the convergence criteria for membership of Emu

Soon after Labour came to office in 1997, the UK Treasury issued a White Paper detailing five economic tests to be met before it would agree to recommend membership of the euro-zone.

Most of these tests were so *vague that the government* could declare them met at any time it made a political decision to join. The one which has been taken seriously is that of convergence: *there has to be* a greater conformity between British and European business cycles.

There have been some occasions when British interest rates have had to be higher than those in the European core to hold inflation in check. There have been other periods when British interest rates have had to be lower. Moreover, there has been a tendency for the British business cycle to be closer to that of the US than to that of continental Europe.

The British government has at long last begun to formulate a strategy for reducing these divergences. It believes that the large fluctuations in UK interest rates have reflected the amplitude of the British business cycle, popularly known as "boom and bust". It hopes that if the UK can maintain reasonably steady non-inflationary growth, there will be no need for such large swings in British interest rates and less cause for divergence with the euro-zone.

There is a second leg of the argument. High short-term interest rates have been particularly harmful to British householders because of their effect on mortgage rates. The hope is that declining inflation expectations will further narrow the gap between British and (say) German 10-year government bond yields, which is already down to half a percentage point. British home borrowers should then be more inclined to switch to fixed-rate mortgages and become less vulnerable to the interest rate cycle.

This convergence strategy is unlikely to provoke gasps of astonishment. But if there is a better one, I have not *yet come across it. The top* copy of any alternative should be sent, not to me, but to the Rt. Hon Gordon Brown, 11 Downing Street, London SW1A 2AA.

Supporters of UK membership expect that lasting convergence will appear only once euro membership has become a near certainty, as has happened in the 11 members of the euro-zone. Opponents of membership (or, at least, those not concerned just with the metaphysics of sovereignty) will continue to believe that Europe is too large and diverse for a single monetary policy without the backing of other kinds of political and economic institutions, as seen, for instance, in the US.

My original reason for supporting British euro membership was that this seemed the most feasible method of obtaining a quasi-independent central bank. Once it was achieved in any case in 1997 this tie-breaking argument fell away. The other arguments for and against mostly cancel each other out. One is *therefore left to follow one's* political instincts, which is what I shall unashamedly do in any referendum on membership of the euro.

* * *

Meanwhile, enough can be seen of the behaviour and attitudes of the European Central Bank to make some comparison with those of the monetary policy committee of the Bank of England. Many of the differences are not fundamental. For instance, it is not realistic to expect a multi-nation institution to develop an *esprit de corps* if national members are held to account at home for their votes. And it is difficult to see that the periodic reports of the president of the ECB to the European Parliament are so different from MPC members to the Treasury committee.

In implementing its strategy the ECB uses two *sets of assessments*, one based on monetary indicators and another an overall economic analysis. The MPC takes account of the monetary and other indicators in a single assessment. The ECB is less explicit about its forecasts; but its bulletin, with detailed analysis of trends, appears every month in contrast to the quarterly Bank of England inflation report.

The Centre for European Policy Studies argues that the ECB is bottom heavy, with too many national governors in relation to the executive board (*Macroeconomic Policy in the First Year of Euroland*, Brussels). *Its biggest criticism is of* "an ambiguity over who can act as a lender of last resort".

Behind the institutional differences there is a strong similarity of outlook. Both the ECB and MPC have accepted the Milton Friedman doctrine that there is no long-term choice between growth or employment and stable prices. Both would agree that inflation can boost growth only temporarily and is thus counterproductive.

It follows, if they are right, that there is an underlying rate of unemployment consistent with any stable rate of inflation, which is the best that can be achieved by macroeconomic policy, and that further improvements require what is now known as "structural reform" – a cliché to which everyone pays lip-service and hardly anyone follows.

The most dubious aspect of current orthodoxy is the inference often drawn that recessionary forces will be reliably signalled by inflation falling below target; and that therefore an inflation target is enough on its own. By contrast Christopher Dow in his posthumous book, *Major Recessions* (Oxford University Press), accepted the idea of an underlying unemployment rate, but did not believe that having an inflation target would be enough to get us there when actual unemployment was higher.

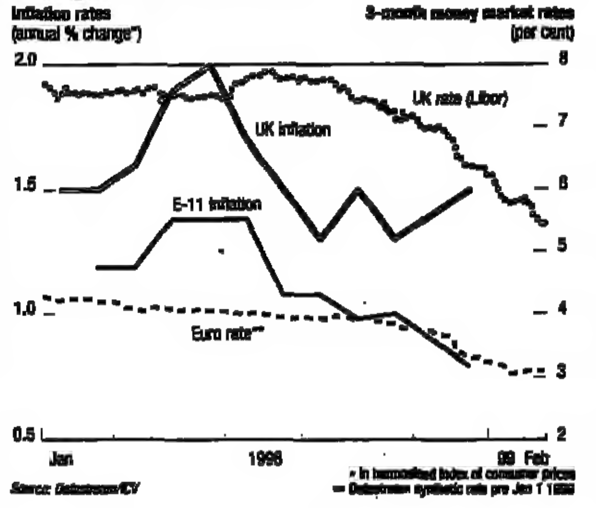
Despite the basic similarity of outlook with the MPC, the ECB has come in for some over-the-top attacks. One would not think from recent strictures that *both nominal and real euro* short-term interest rates were 2-2¼ percentage points *below* British rates. And although British rates have come down more, this is because they have had much further to fall.

Nor is the euro inflation target more savagely restrictive than the British one. The euro objective of an inflation rate "below 2 per cent" while avoiding deflation, gives a range of zero to 2 per cent. The British target of 2½ per cent appears to be higher; but on the harmonised index of consumer prices (which the ECB uses), it is equivalent to 1.4 per cent. The remaining *0.4 percentage points hardly* amounts to a difference of *Weltanschauung*.

One possible genuine difference between the ECB and the MPC appears to be the seriousness with which the two institutions take short-term departures from the equilibrium unemployment rate. ECB leaders sometimes speak as if they merely have to go for price stability and they will have done their best for output and jobs. The MPC takes very seriously the transition process and it makes much use of the capacity gap as a guide to whether inflationary pressures are increasing or declining.

But after a year-and-a-half, it is still difficult to be sure how much independent importance even the MPC attaches to supporting the real economy. *If inflation* forecasts were unchanged between two periods on a common interest rate assumption and interest rates were still reduced, this would be *prima facie* evidence that the MPC gave independent weight to output. Such a test case has not yet arisen. Thus there is still no real reason for those of us who would prefer a broader objective, which gave some weight to output when inflation was not a danger, to prefer one model rather than another.

Convergence of UK and euro rates



Source: Datastream/ICV

* In harmonised index of consumer prices
** Datastream synthetic rate pre Jan 1 1999

LETTERS TO THE EDITOR

UK approach to open skies is right

From Mr Mike Sparham.

Sir, Your leader on the resumption of "open skies" talks with the US (February 16) demonstrates what a complex industry aviation has become.

It is by no means certain that initially lower fares arising from excess capacity could be sustained at a time when dominant global alliances are being formed that will, in the end, reduce rather than increase competition.

We are fully behind the UK government's approach to the UK-US air service talks, which seeks to ensure that any concessions are evenly balanced and allow greater access for UK carriers into the US market. This requires abolition of their restrictive practices, which your leader did not mention: specifically the "fly America" policy for all US public servants and the aircraft leasing restrictions imposed by the US. Both these practices deny UK carriers a fair access to the US market.

The equalising of rules on foreign ownership is, of course, a two-edged sword. Equalising up to the European Union level of 49 per cent is one thing, the total lifting of restrictions quite another. The most profitable airline companies are all American and the size of their domestic market gives them an advantage that cannot be matched by any European carrier. Until access can be gained to that market through fair and open competition, we do not believe it is in the interests of British consumers, the airline employees or the British economy to make UK-based airlines vulnerable to takeovers by US airlines.

Finally, the issue of slot trading is not as easy as you suggest. Who owns the slots? The airlines did not buy them and do not list them as a financial asset. Why then should they sell them? We cannot *ignore the wider* impact of trading, with slots going to the highest bidder. As you say, Heathrow is full. By definition, therefore, an additional slot on a transatlantic route has to come from somebody else – perhaps a regional service or a smaller carrier without the resources to match the bid.

It is important for the regional economics and for the consumer that Heathrow (and Gatwick) do not change into long-haul airports dominated by the big companies. Whatever system of slot distribution is in place it needs to be administered. The last UK government looked seriously at the possibility of slot trading and shied away when it realised it would require three levels of administration and could lead to a trebling of airport charges and a 10 per cent increase in fares. The European Commission is right in its approach.

Mike Sparham,
assistant general secretary,
British Airline Pilots
Association,
81 New Road, Hayes,
Middx UB3 5BG, UK

Principles of Greenbury and Hampel apply to pay issue

From Mr Stephen Byers.

Sir, It might be helpful if I clarified the UK government's thinking on boardroom pay.

Our approach is driven, as was that of the Greenbury and Hampel committees, by the principles of accountability, transparency and performance. We have therefore *made it clear that we would* like to see companies choosing to put their remuneration policy to an annual shareholder vote to facilitate accountability and transparency.

In addition, remuneration committees and shareholders should measure directors' performance against challenging criteria.

The government has not *taken a decision to legislate* in this area but, equally, we have not ruled out legislation. Before making a decision we will consult with business and institutional shareholders, and will monitor the forthcoming round of annual meetings closely for evidence of a more positive and responsible approach *from companies and their* shareholders.

This continues the policy established by my predecessors Margaret Beckett and Peter Mandelson.

Stephen Byers,
Trade and industry
secretary,
DTI,
1 Victoria Street,
London SW1H 0ET, UK

City: no need to panic yet

From Mr Paul Wright.

Sir, *With reference to the* danger of the City of London losing its pre-eminence among European financial centres (February 15), I think we need panic only when French and German governments decide to bring income taxes and employers' charges down to the UK level. In this most highly *paid "people business", it* would be prohibitive for either companies or individuals to contemplate leaving the City until other governments harmonise downwards their fiscal appetite; there is no sign of that yet.

Paul Wright,
1 Boulevard de la Saussaye,
92200 Neuilly-sur-Seine,
France

Number One Southwark Bridge, London SE1 9HL

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Primakov inter pares

The Russian prime minister's popularity may be at an all-time high but the economic choices he faces are grim, says **John Thornhill**

The most striking thing about Yevgeny Primakov is that, five months after assuming the premiership in the midst of a desperate economic mess, he should be Russia's most popular politician.

Russia is still reeling from *the collapse of the rouble*, the default on the government's domestic debt, and a surge in price inflation, but opinion polls suggest the prime minister is being credited with defusing a potentially explosive situation.

The wily former spymaster and foreign minister has pacified parliament and regional governors and tamed the country's financial oligarchs. He has adroitly placed his supporters in important positions, including in the media. The latest poll showed *Mr Primakov had* overtaken Gennady Zyuganov, the Communist party leader, as the country's most respected political leader.

Yet Mr Primakov must know that his prominence is ephemeral.

The economy may no longer be crashing but it is still crumbling. In spite of running a trade surplus of more than $2bn a month, the central bank's reserves continue to shrink, indicating massive capital flight. Prices have already climbed 10 per cent this year, while the average wage has slipped to less than $60 a month.

Russia is in arrears on its Soviet-era debt and could be in danger of defaulting on its International Monetary Fund loans.

"The government is basically bankrupt. New York City collects more in municipal taxes than Russia collects federal taxes," says Boris Fyodorov, the outspoken former finance minister. "If Primakov does not do something dramatic he will not survive. His fate is sealed."

To emerge from this crisis – rather than just endure it – Mr Primakov might pursue one of two bold strategies. The problem is that both are highly unpalatable to a man accustomed to leading from the middle.

The first would be to follow the IMF's recommendations to cut spending, raise taxes, and run a primary budget surplus (before interest payments) of more than 3 per cent of gross domestic product this year. Mr Primakov has, in the past, railed against the "young kids" from the IMF who presume to dictate policy to Russia. But increasingly, he appears to be accepting the logic of their case.

Last weekend, Mr Primakov spelled out in a speech the importance of IMF support. It was not just a matter of hard cash, he said. The Fund's support would also keep Russia within the club of financially civilised nations. An IMF deal might prompt western creditors to forgive a large amount of Soviet-era debt and release new funding from the World Bank and Japan. It could also lead to a strengthening of the rouble, a revaluation of Russian asset prices, and greater foreign direct investment.

"Of course, at the end of the day we can manage, but it will be extremely difficult for us to manage without this support," Mr Primakov said.

Striking a deal with the IMF, however, is likely to pitch Mr Primakov against parliament.

Most probably, Mr Primakov would be forced to sack Yuri Maslyukov, the former Communist MP in charge of economic policy, and name a more reformist finance minister. Mr Primakov would also have to squeeze more taxes out of companies such as Gazprom, the giant gas monopoly, which is an enthusiastic supporter of the prime minister.

In jeopardising his parliamentary support, Mr Primakov would be more vulnerable to Boris Yeltsin, who appears to be growing increasingly irritated at the presumption of his prime minister.

The Russian president may have been sidelined for the past few months but – *assuming he is well* enough to exercise them – he retains his constitutional powers and, presumably, his capacity for springing surprises. He has sacked three prime ministers in the past year and may yet add to that number.

For that reason, some of Mr Primakov's informal advisers are urging the prime minister to address Russia's political conundrum before he tackles its economic problems. Sergei Karaganov, chairman of the Council on Foreign and Defence Policy, a think-tank, argues that Mr Yeltsin's *voluntary resignation* is now essential. Only a new president with a popular mandate has any chance of conducting successful economic reforms.

"Previous reforms failed not because of wrong economic policies but because the reformers and their supporters in the west had so *weakened the credibility* of the government," he says. "It was not a liberal but a libertarian approach. Liberal reforms can be introduced only by a very strong government."

Mr Primakov has loudly disassociated himself from such thinking, saying Mr Yeltsin must remain president until his term expires in the summer of 2000.

Yet some observers wonder whether Mr Primakov is not steeling himself for a showdown with the president. Mr Primakov's current talks with political leaders about a "stability pact" in the run-up to December's parliamentary elections provide a perfect cloak for him to hatch his plots.

Temperamentally, Mr Yeltsin seems as unlikely to cede power voluntarily as Mr Primakov is to grab it by force. The uneasy truce between the two leaders may continue for months. The default option in Russian politics is always to muddle through, which invariably results in muddle-down.

Mr Primakov may yet conclude that doing nothing is the better than doing something. But the logic of the situation is rapidly pressing in on him.

It always used to be said that Russia faced a choice of successful Polish-style reform and 1970s-style Latin American inflation. Now the choice seems to be getting more alarming. "It is clear that for Primakov time is *running out*," says Mr Fyodorov. "Either we go in the same direction as the rest of the world or we follow North Korea into total isolation."

'The government is basically bankrupt. New York City collects more in municipal taxes than Russia collects federal taxes'

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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday February 18 1999

Meeting global responsibilities

The most pressing issue facing the Group of Seven meeting in Bonn at the weekend is the health of the European economy. The other items on the agenda of the G7 finance ministers and central bankers, though important, are less urgent.

The Europeans are keen to address reform of the "international financial architecture". The US will rightly pour cold water on any grand plans. However, the meeting will miss an opportunity if it fails to agree to proposals by Hans Tietmeyer, president of the Bundesbank, on ways to co-ordinate international financial regulation. Another issue where progress could and should be made is debt-relief for poor countries, on which a firm commitment is overdue.

There will be little to be said on any proposals for exchange rate target zones: the US has made it clear it is not interested. As at past meetings, there will be strong words on the need for Japanese policymakers to boost their dangerously flagging economy. This discussion, alas, will be little more than a formality.

Europe's economy, therefore, becomes the focus. This is the first meeting attended by representatives of the European Central Bank vested with full monetary authority for the euro-zone. The ECB's monthly bulletin, published this week, makes clear that it sees no room for lower interest rates – even though the euro-zone economy is measurably weakening while inflation is falling.

Wim Duisenberg, president of the ECB, may find it easy to dismiss the protestations of European finance ministers on his own turf. He will find it difficult to focus on price stability, to the exclusion of all else, at a meeting with all the G7 finance ministers and central bankers.

Politics, as well as economics, dictates that the US press its complaint that – at a time when most of the developing world, along with Japan, is in recession – the euro-zone is running a growing current account surplus. This leaves the US to absorb the exports of crisis stricken economies. In effect, it means that the health of the world economy, as well as US prosperity, relies on a continued boom in the US stock market.

After Alan Greenspan, chairman of the US Federal Reserve, Mr Duisenberg is the world's most important central banker. It is time for him to demonstrate his understanding of the international responsibilities that accompany this role, by giving public recognition to the need to support European growth. European finance ministers should reciprocate with a serious commitment to deregulation.

Last September, the G7 pledged to support growth. A communiqué which commits all members to take practical steps to achieve this is essential.

Rich men's rules

The European Union likes to pose as an enlightened aid donor and champion of developing economies' interests. It also regularly holds itself up as a model of the virtues of universal justice and the primacy of the rule of law. But the European Commission is making a mockery of both claims by obstinately resisting a modest proposal to help the world's poorest countries gain a fair hearing in trade disputes.

The proposal calls for the creation of a legal aid centre, which would advise needy nations on World Trade Organisation law and help them with the costs of litigating cases before WTO disputes panels. Many developing countries, which constitute the majority of WTO members, lack the expertise and resources to challenge other governments' trade policies and defend themselves against complaints.

The WTO's disputes procedures are one of its greatest successes and the bedrock of its authority. By impartially adjudicating disputes and ensuring that rulings are enforced, they are a powerful instrument for keeping markets open and holding members to their commitments. Equity and the integrity of the world trade system demand that all members should have access to them.

Yet the Commission seems blind to such arguments. Against the wishes of the Netherlands and several other EU members, it is fighting the proposed legal aid centre. Instead, it wants the WTO's secretariat to do the job. But as the US has pointed out, that would gravely compromise the secretariat's impartiality. Brussels' ploy looks suspiciously like a sabotage mission.

The Commission's hard line partly reflects its determination to assert its institutional authority over member states in matters of EU trade policy. So dogged is its insistence that it is said to be ready to sue EU members if they contribute funds to the proposed aid centre. The Commission claims that if they did so, they would weaken co-operation in the common EU interest. And what might that be? In this case, the answer seems depressingly clear: sheltering the Common Agricultural Policy and other sacred EU-protectionist cows from judicial challenges, by denying many WTO members the means to mount them.

This incident may seem relatively minor. But what is important is the political signals it sends. Brussels needs to be clear what they are. Its attitude not only looks mean-spirited; it suggests the EU believes in one law for the rich and another for the poor. That principle has no place in a civilised society. The Commission should acknowledge as much by dropping its ill-considered opposition in the WTO to a fair and sensible proposal.

Chirac in DC

When Jacques Chirac, the French president, arrives in Washington today, he will know he is walking into the lion's den. Politicians and the media in Washington tend to see France as a perpetual irritant in international relations, seeking out contrary positions to the US whenever possible. Whether it be French opposition to liberalising farm trade, hostility to the hegemony of the dollar, or scepticism – to say the very least – about US policy towards Iraq, it all seems tiresome troublemaking.

The same sort of demonisation, this time of the US, too often holds true in France. The nationalistic saga of *Astérix the Gaul*, bravely holding back the massed legions of Rome (alias Washington), is playing to packed cinemas in Paris, in spite of being savaged by the critics. Hubert Védrine, the French foreign minister, has characterised the US as the world's first "hyperpower", raising fears that it is pursuing a unilateralist agenda without regard to the concerns of others.

Such caricatures are obviously exaggerated, and they do little to help each side understand the other. That matters, because France is, for the moment, potentially the most important interlocutor for Washington with continental Europe and the emerging euro-zone. The new German government has yet to resolve its own internal differences and present a clear position on either international financial or foreign policies. The British government is not part of the euro-zone and, anyway, is naturally inclined to suppress any doubts in the interests of Anglo-Saxon solidarity.

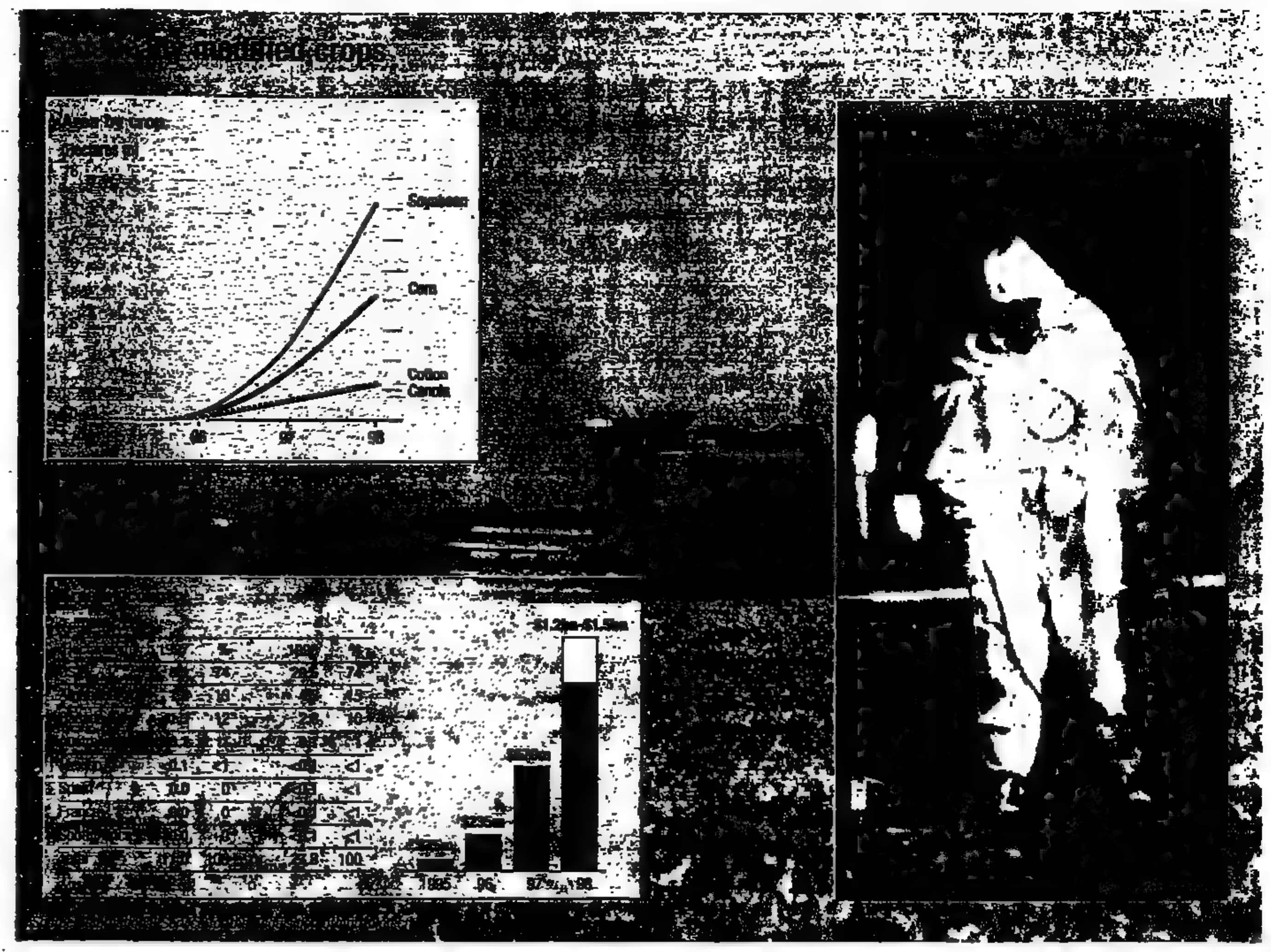
If the US has trouble understanding French politics, that is partly a result of the complexities in Paris, where the conservative Mr Chirac is in uneasy cohabitation with a Socialist prime minister, Lionel Jospin. Most questions of foreign policy are seen in nationalistic terms in France, so it is very difficult for either man to be seen to go too far in cosying up to President Clinton.

Nevertheless, Mr Chirac hopes to play a helpful role of mediator between Washington and the euro-zone, both on the disputed question of exchange rate policy and on the reform of the international financial architecture. He will no doubt be greeted by US criticism that the European economies are not playing their part in maintaining growth and absorbing imports from the rest of the world.

There are hopeful signs that both sides are more willing to listen to each other than the caricatures would suggest, thanks in part to their co-operation in seeking peace in Kosovo. Mr Chirac deserves a hearing. But he must show he is ready to listen to Mr Clinton, too.

Genetically modified trade wars

Widespread worries in Europe about genetically altered crops could result in a transatlantic trade war and even the worldwide marginalisation of European farming, says **Guy de Jonquières**



International disagreements over agricultural trade used to be all about countries' efforts to protect inefficient farmers from foreign competition. No longer. Consumers, not producers, are in the forefront of the growing campaign in Europe against genetically modified foods. Their concerns are not to do with cold economics, but with the health and environmental risks of using science to change nature.

Across Europe, there is a chorus of demands for a ban – or at least a moratorium – both on planting genetically altered crops in Europe and on the sale of imported foods containing them. The backlash is causing consternation in the US, the world's biggest producer and exporter of such products. If Europe closed its markets to this $1.5bn a year trade, it could trigger a conflict that would dwarf existing transatlantic differences about farm trade.

The US is increasingly irked by the European Union's readiness to bow to public anxieties about food safety by outlawing products without showing they are unsafe, as World Trade Organisation rules require. The WTO has already condemned the EU's 12-year ban on hormone-treated beef for that reason and Washington is threatening retaliation if Brussels disregards the ruling.

But the commercial interests at stake in the genetic revolution are far greater than in the case of beef – and the policy issues they raise are much more complex. "So far, most of the trade problems associated with GM foods have been between the US and the EU. But they will soon become global," says Professor Tim Josling, an agricultural economist at California's Stanford University.

While European consumers are turning their backs on food made from genetically modified crops, the high productivity of these crops is causing increasing numbers of farmers to turn to them, not just in the US, but in most big farm-exporting countries, including Argentina, Australia, Brazil, Canada, Mexico and China. Land area under cultivation and the market value of output worldwide almost trebled last year (see chart).

But the trend faces growing opposition, and not only in Europe. Many poor countries favour controls on international trade in genetically modified crops – even though they have previously opposed the use of trade measures to enforce environmental standards. They want a global agreement, being negotiated in Colombia this week, to allow governments to block imports of genetically modified products unless they consent in advance to allow the shipments.

Some agricultural trade experts believe that, in practice, such consent would rarely be given. That could result in much of the world being declared off-limits to genetically altered crops and food – in direct conflict with WTO rules.

That prospect alarms the US and other large farm exporters. The EU's apparent willingness to go along with at least some of the poor countries' demands has added to Washington's frustration and reinforced its determination to overcome Europe's reluctance to accept genetically modified foods.

The US initially blamed European resistance on straightforward protectionism. But recent levels of anxiety in Europe about food safety, particularly since the outbreak of "mad cow" disease, has forced US officials to recognise that the explanation is more complex.

They now accept that the fundamental issue is one of public confidence. Europeans say the same thing. But the two sides completely disagree about where the problem lies. Many European commentators think it is to do with lack of scientific certainty about the effects of genetically modified foods; without that, they say, consumers will refuse to accept they are safe.

Yet the few genetically modified products so far approved for sale in Europe have undergone extensive scientific review. As well as being cleared by the notoriously finicky US Food and Drug and Administration (FDA) and other federal agencies, each has been evaluated by numerous scientific committees in Europe.

US officials, on the other hand, insist the problem is lack of confidence in government, not in science. They blame public mistrust of genetically modified and other novel foods on the EU's arcane system for regulating food safety, saying it encourages decisions based on political opportunism and scaremongering, not scientific evidence.

"The US and many other countries have much stronger and more independent regulatory systems than the EU. They are not driven by emotion, politics and the whims of princes or kings, but by genuine health concerns," says Peter Scher, the senior US farm trade negotiator.

Even EU officials share US misgivings about the system, in which requests for product approvals are trundled through a labyrinth of committees in member states, the European Commission and the Council of Ministers. They say the procedures not only lead to long delays but undermine public accountability.

"The system seems almost designed to allow politicians to shirk difficult decisions and score cheap points by playing to popular fears about GM foods," says one European diplomat. That, he says, whips up more public resistance, which ministers then use to justify further delay and indecision.

In practice, the buck usually stops with the European Commission, which has to decide on product approvals when member states cannot agree. It faces an unenviable dilemma. If it vetoes products, without clear scientific evidence that they are unsafe, it risks violating WTO rules. But if it approves them, it risks inciting rebellion from its member states and a popular backlash.

> 'Most of the trade problems have been between the US and the EU. But they will soon become global'

Austria, Luxembourg and France have recently blocked the sale of genetically modified crops approved by Brussels. The Commission is preparing legal action against France. But it fears that cracking the whip too hard could lead member states to ignore it and press ahead with bans on such products, causing the EU's single market to disintegrate.

An EU-wide ban, whether instituted or not by Brussels, would almost certainly be challenged by the US in the WTO. President Bill Clinton's administration is under growing pressure from the powerful US farm lobby to step up attacks on barriers to its exports, to offset the impact of falling commodity prices and shrinking Asian markets.

Nonetheless, trade policymakers in Brussels and Washington are anxious to prevent another conflict, when they are already locked in disputes over bananas and beef. These have already placed severe strains on the WTO and threaten US and EU hopes of co-operating on the launch of a new trade liberalisation round.

But can a way out of the impasse be found? The US says the solution is for the EU to entrust food regulation to an independent authority with the powers and stature of the FDA - as it has already done for pharmaceuticals. But many European observers reckon that, even if EU governments agreed to create such a body, it might not find it any easier than the Commission to impose decisions on them and on sceptical consumers.

So another option is mandatory labelling of genetically modified foods in shops. Such schemes have long been opposed on principle by EU farm ministers and the US, which fears they would discriminate against its exports. Nonetheless, Washington has recently warmed to the idea as a way of settling its dispute with the EU over hormone-treated beef.

But devising a labelling scheme for such foods would be complex, involving difficult decisions about which products should be covered and what labels should say. A further problem is that almost all mainstream US crops will probably be genetically modified in 10 years' time, or mixed with products that are. That could mean most US food exports would have to carry labels, which nervous European consumers might take as a health warning.

A third possibility is that the European public will overcome its reservations about genetically modified foods. That may seem a long shot. Few EU politicians are prepared to speak up for them, and an advertising campaign by Monsanto, the US biotechnology company, intended to reassure Europeans about genetic food science, backfired disastrously.

Nonetheless, some observers think the attitude of European farmers will prove decisive. "So far, they have stayed out of the debate," says an EU agriculture official. "One explanation is that they have less incentive than US farmers to improve efficiency, because they are so heavily subsidised. Another is that GM technologies have so far been applied mainly to crops such as soya, maize and cotton, of which Europe is not a big producer."

However, he says that EU farm spending faces a remorseless squeeze, while genetic technologies designed for mainstream European crops, such as wheat and sugar beet, will soon come on stream. "At some point, these developments should cause European farmers to start lobbying for GM products out of commercial self-interest," he says.

When, if ever, that point will be reached is highly uncertain. But if public and political demands for a European ban on genetically modified foods become irresistible, two outcomes will become increasingly likely. One is that the EU's trade relations with the US and other big agricultural exporters would be subject to growing strife.

The other is that rejection of scientific advances would consign European agriculture to a backwater. "There is a risk that a sizeable gap would open up with modern farming technologies in use in the US and elsewhere," says Prof Josling. "I am not sure Europe is prepared for that."

OBSERVER

Marching on the Reichstag

The deployment of German troops used to be one of the thorniest issues in European politics. But these days the Bundeswehr appears more relaxed about where it sends its boys and what they get up to. So tomorrow just more than a thousand strapping lads in uniform will spend a few hours muttering and chattering away in Berlin's newly renovated parliament building.

The soldiers will be in the Reichstag debating chamber to do their bit for democracy. The chat-in is to test the building's acoustics, just in case its distinctive glass canopy amplifies the whispers of parliamentarians down below – raising the prospect of chaotic debates and, even worse, allowing the private asides of MPs to waft up to unsuspecting visitors peering down from the observation deck.

Sir Norman Foster, the British architect who oversaw the renovation of the building, opted for a glass-heavy design aimed at bringing greater transparency to the inner workings of democracy. Nice idea, but too much transparency could be too much of a good thing.

Blue bottoms

Stone-washed jeans are not the fashion statement they used to be – and it's beginning to give Novo Nordisk the blues.

Apart from being a global leader in insulin production, the Danish-based company is the world's largest producer of industrial enzyme products – it markets around 600 of them to manufacturers of everything from detergents to beer. As for jeans, it's an enzyme that gives them that casual, washed-out look – it is called "bio-stoning" – before they leave the factory.

But while higher global demand for insulin helped Novo record impressive earnings growth in 1998, the fashionable preference for black and more black when it comes to jeans means the bottom's dropped out of enzyme sales. Not to mention the jeans.

US of Acrimony

It's supposed to be a friendly get-together. But Saturday's gathering of the Group of Seven finance ministers near Bonn has been creating trouble between the US and its European partners for some time.

German finance minister Oskar Lafontaine, who's also hosting the meeting, has alienated the European Commission by trying to appease Uncle Sam. The Americans objected to the European Union's mind-bogglingly complex proposals to have the 11-nation euro-zone represented at the meeting.

Needled by US complaints that the G7 "club" would be packed with a host of unfamiliar faces, Mr Lafontaine decided to limit the euro 11 delegation to Wim Duisenberg, the president of the European Central Bank, and marginalise the Commission. Instead of allowing it into the talks as part of an EU delegation, Lafontaine has said its representative must be included in the German team and will not be allowed into the ministerial pow-wow.

Yves-Thibault de Silguy, the commissioner responsible for monetary affairs, is hopping mad, and sounding off about the Lafontaine wheeze to all and sundry. It neither complies with arrangements solemnly endorsed by EU leaders at their Vienna summit in December nor ensures that the euro countries will be properly represented at the meeting, he harrumphed.

Observer reckons it's a safe bet de Silguy won't be the only one complaining. Wait now for the smaller euro 11 nations to round on Oskar.

Holy Poles

Poland's prayers have been answered! The country's soon to fulfil its ambition to become a Nato member, as president Aleksander Kwasniewski is only too keen to point out. If anyone doubts the Poles are ready to join the alliance, Kwasniewski brandishes a prayer book.

But that's not as strange as it might sound. The little green booklet has been published in both English and Polish by Archbishop Slawoj Glodz, chief Catholic chaplain to the armed forces. Designed for the Polish armed forces, it's supposed to come in handy for church services with other catholic countries in the alliance – Italy or France for example.

With Poland poised to become a fully fledged Nato member in time for the April summit in Washington, Kwasniewski shows the holy book to visitors with the wry remark: "When Nato asks me if we're ready for membership I just show them this".

Off its perch

Not much to sing about if you're a rainbow lorikeet currently perching in New Zealand. The brash and colourful Australian bird is being expelled from the country because it's threatening to snuff out dowdier locals.

Conservation minister Nick Smith has declared it bird-non-grata because it eats the same food as the black and white tui and the kakariki – birds that "go to the core of what it is to be a New Zealander".

"I don't want Auckland to become just another Aussie city devoid of New Zealand bird life. If people want lorikeets they can have them in a cage or go to Australia," he says. It's enough to make a kookaburra cackle.

The Financial Times

100 years ago

Spanish Senate Crisis
Madrid, 17th February. Cabinet Council held yesterday evening, under the presidency of Senor Sagasta, was unanimous in refusing to accept the resignation of Senor MonteroRios as President of the Senate. The Government is said to be resolved, should he insist upon resigning, to publish a decree officially refusing to accept his resignation. The opinion prevails in political circles that, if the Cabinet is called upon to resign, a new Liberal Ministry will be formed, but not with Senor Sagasta at its head.

50 years ago

Israel's Economy
The Israelis like to compare their country with Switzerland in more than one respect. They would like to remain neutral in another world war. They want to develop a tourist industry, and, although short of most industrial materials, they want to become a manufacturing centre. Industrially, the country had already progressed before and during the second world war, when Jewish Palestine was one of the most important work and repair shops of the [British] Eighth Army.

FINANCIAL TIMES
THURSDAY FEBRUARY 18 1999

THE LEX COLUMN

Diving Dell

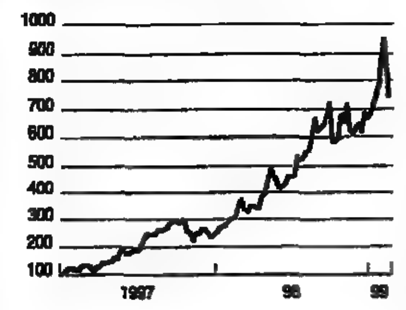
When a stock is trading on nearly 100 times earnings, investors expect perfection, and rightly so. Dell's latest results contained a blemish. Earnings rose by more than 50 per cent for the 12th quarter in a row. But revenue growth slowed to 38 per cent from an average of 56 per cent over the past two years. Worries that Dell's days of easy market share gains are over have knocked more than 20 per cent off the shares in three days.

Those fears look overdone. Dell's management admits it missed a trick in the fourth quarter; it did not cut prices fast enough. The group still hit its earnings targets, since fatter margins made up for the lower revenue growth. But that was of little comfort to a Wall Street focused on top-line momentum. Of course, investors are right to be watching like hawks for *signs of mortality at Dell. However, they* should not ignore its fundamental strengths.

Dell's model of direct selling looks alluringly simple. But it has developed its infrastructure and service culture over 15 years. While IBM, Compaq and Hewlett-Packard struggle to catch up, Dell is migrating to selling over the internet, further cutting costs. With Dell growing at three times the industry rate of 15 per cent, forecasts of 30-40 per cent compound annual earnings growth over the next five years do not look outlandish.

The drop in the forward price/earnings ratio from 70 to 55 leaves the shares looking attractive.

Dell Computer
Share price relative to the S&P Composite



Source: Datastream/ICV

Duty-free

In a supposedly common market, the debate on duty-free gets more surreal by the minute. It is high time to abolish duty-free within the European Union. It distorts competition and subsidises certain travellers at the expense of others, not to mention those who stay at home.

The problem is what comes next. Post duty-free, ferry passengers stocking up on goodies between the UK and France will *be exposed to four different tax rates.* There will be two VAT rates. And on each leg of the trip, two excise duties will apply, depending on whether the goods are sold in UK or French waters. Tax lawyers will be in heaven. Consumers will curse as they try to squeeze their shopping in the cheapest – if muddiest – bit of water. Sorting through how best to manage *this process, and exploring options to* simplify it, will take time. One idea might be at least to impose the same excise duty throughout one trip, as would be the case with VAT. The risk is that the duty-free lobby exploits the confusion to win a stay of execution. The European Commission should resist this.

As far as the UK is concerned, the abolition of duty-free merely draws attention again to how high its excise rates are relative to most European Union members. But then, as proponents of the withholding tax will remember, the UK's is supposed to be a government that believes in healthy tax competition between countries.

Mobile advertising

They call it word of mouse. Free or deeply discounted internet services are springing up all over the web. Access to the internet itself is one such service. The "word" spreads, the eyeball count shoots up, and the advertisers pile in. Internet entrepreneurs hope the advertising will compensate them for giving away the product free. Mobile phones, as just another distribution channel, could try *the same trick: giving away air-time in* exchange for piping advertising jingles to users. Many will refuse the sweetener, but some – say cash-strapped teenagers – may lap it up.

But substituting advertising income for subscription income is not exciting. Far more important is how mobile operators tap into the internet potential. Wireless devices will increasingly allow for internet access, and mobile operators could turn into another type of internet service provider. Their challenge is to become not just the network that gets mobile users hooked on to the internet, but also helps them navigate around it. Fixed-line internet service providers do this already by establishing portals, or shop-windows for the internet, where retailers advertise their web-sites.

The cannier mobile operators will try to replicate something like this for the wireless world, thereby earning incremental advertising revenue. But the competition will be fierce, from the manufacturers to the established internet players.

BP Amoco

What better year to wield the axe than when the price of oil is a painfully low $10 a barrel. At this price, BP Amoco makes no money in cash terms after paying its regular bills. So the $1.5bn restructuring charges will push up debt. It is no wonder the timetable for achieving $2bn savings has been accelerated and capital spending slashed from $10.1bn to $7bn. In one sense it is a pity that only $1bn of disposals are allowed under "pooling of interest" rules. But anything that eased the sense of urgency this year might be counterproductive.

As it is, 1999 will be a year to forget. The savings could easily be wiped out if the oil price and chemicals margins stay as low as in the fourth quarter. The one plus point in this "running to stand still" scenario is that BP Amoco should look relatively resilient compared with its peers. Only the even bigger combination proposed by Exxon/Mobil will have similar duplications to strip away. The cost-cutting story – made more convincing by the BP management's assertiveness – will doubtless run for another year or so. If the total exceeds $3bn, that alone would plug most of last year's drop in combined *operating profits to $6.4bn.*

But to whet investors' appetites longer term, BP Amoco will need to sound equally convincing that its reshaped portfolio can take full advantage of an upturn. A story of well-managed shrinkage cannot sustain the current chunky premium to Royal Dutch/Shell.

Israel risks US sanctions over software piracy

Washington issues warning after government fails to tighten laws

By Judy Dempsey in Jerusalem

Israel risks sanctions under US trade law unless it enforces legislation to combat pirated music, software and compact discs, US diplomats warned yesterday.

The warning followed repeated US requests to the Israeli government to tighten legislation.

"We have not seen as much progress as we like to," said Edward Walker, US ambassador to Israel. "Israel's fundamental interest must be protecting intellectual property rights."

Sanctions would undermine Israel's export growth, increasingly driven by the high technology and software sectors. Software exports grew 15 per cent last year, reaching almost $600m, while high-technology exports exceeded $2.5bn.

The piracy of software, particularly CDs, has also spread to areas controlled by the Palestinian Authority, US officials say. Recently, Israelis and Palestinians involved in the counterfeiting business set up two manufacturing units in the West Bank cities of Hebron and Nablus to produce pirated CDs. Once manufactured, the software is transported to Israel where it is distributed.

US companies have repeatedly complained about Israel's failure to protect intellectual property rights. The International Intellectual Property Alliance – which lobbies on behalf of industry for copyright protection – this week asked Charlene Barshefsky, the US trade representative, to name Israel a "priority foreign country" under US trade law – a provision which would give Israel six months to take action or face sanctions.

US companies claim to have lost over $170m in revenues during 1997 because of Israel's export-driven pirate audio CD market. US officials warned that other companies would not invest in Israel or provide venture capital unless legislation was tightened.

According to the Business Software Alliance (BSA), the US-based industry lobby, nearly 70 per cent of all software installed on computers in Israeli businesses in 1996 was illegal.

Israeli trade ministry officials said they were taking measures to push through new legislation. They pointed out that the maximum prison sentence for piracy was already three years and the maximum fine Shk1bn ([illegible]).

But Deborah Schwartz, economic affairs counsellor in the US embassy in Tel Aviv, said that of the 225 criminal cases of piracy brought before the courts last year "not one single sentence was made and there has been no movement on the legislative front. What is taking place in Israel is plain burglary."

Israeli recording artists are also demandingtougher action.Izhak Ashdot, composer and board member of Israel's Society of Authors, Composers and Music Publishers, said artists were no longer willing to record in Israel because of piracy. Artists, he added, were losing between $2m and $3m a year in royalties and copyright fees.

Pakistan ponders call for bond rescheduling as debt talks near

By Peter Montagnon and Farhan Bokhari in Islamabad

Pakistan is to begin formal talks with commercial bank creditors on rescheduling $800m in debt around the end of the month.

But it will defer a decision on whether to proceed with a controversial *request from government* creditors that it also reschedule over $500m in international bonds. Further talks on rescheduling the bonds would be held with the Paris Club of government creditors next month, Ishaq Dar, finance minister, said in an interview.

Pakistan and its commercial creditors were taken aback by the Paris Club's recent request. Rescheduling of bonds is rare and difficult because the owners of such bearer securities are often impossible to trace. Costa Rica, Guatemala and Panama – rescheduled bonds in the 1980s but only on a voluntary basis.

Many government creditors hope a precedent can be set that could be applied later to Russian debt, although some worry that the Paris Club will agree lenient terms with Pakistan.

Mr Dar said he would have preferred not to include bonds in the rescheduling because of the potential impact on Pakistan's future access to the securities market. "It's *not a matter of reaching* a unilateral decision," he added.

"It's a matter of working together with the Paris Club, because they also have no experience in this regard. We might well come out with the result that [rescheduling bonds] is something only good to think about but not practical to implement."

Even without the bond controversy, bankers are still sceptical of speedy progress on the commercial rescheduling. At least two banks have turned down invitations to chair the steering committee of leading creditors, while Mr Dar indicated he would drive a hard bargain, seeking terms comparable with the Paris Club, which said it would grant an exceptionally long maturity of up to 20 years.

There remain nagging worries about Pakistan's ability to stick to the International Monetary Fund programme on which all rescheduling efforts depend. By the end of March, Pakistan must cut its maximum import tariff from 45 per cent to 35 per cent and increase electricity prices by 11 per cent. On top of an elimination of earlier subsidies, this will mean effective prices to power consumers will rise by nearly 60 per cent by September.

The government must also abolish the manipulated official and composite exchange rates before June. That could prove expensive because the central bank has given forward cover at the official exchange rate of Rs46 to the dollar on $5bn in non-resident deposits in the banking system.

Warning for bond investors, Page 6
Capital markets, Page 20

CONTENTS

News

Features

Companies & Finance

Markets

US vice-president Al Gore greets South African leader Nelson Mandela and his deputy Thabo Mbeki in Cape Town during a three-day visit

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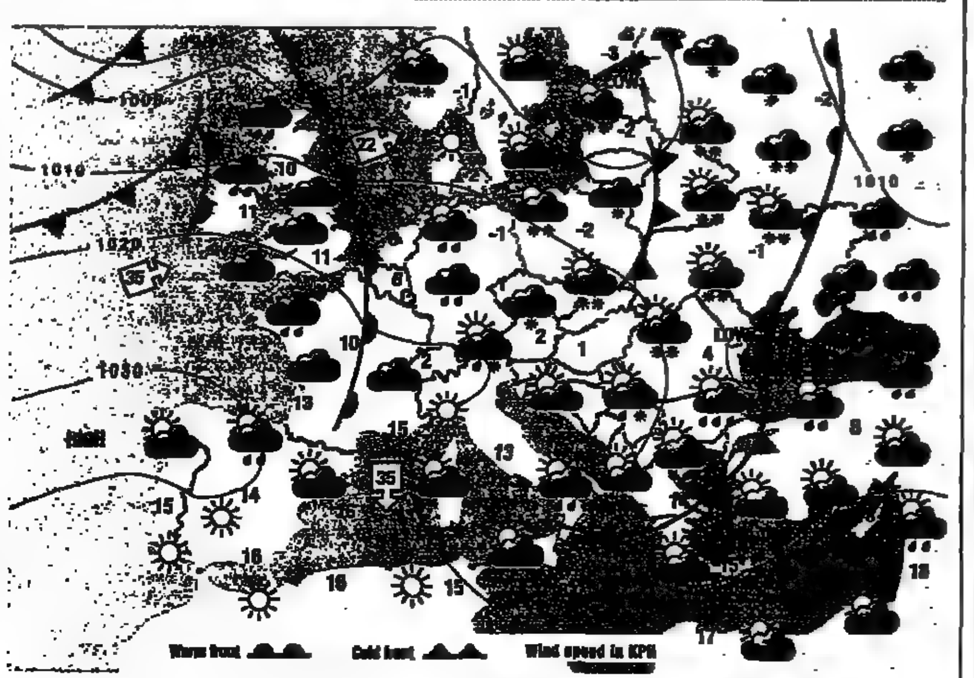
FT WEATHER GUIDE

Europe today

France and the Low Countries will turn milder but will be rather cloudy with patchy rain slowly clearing away eastwards. Western Norway, Denmark, western Germany and Switzerland will stay cold with snow edging in from the west this afternoon. Most of Spain, Portugal and Italy will be quite sunny although north-east Spain will have showers. A cold wind will cross Italy. Greece will be unsettled with heavy showers but Cyprus should stay fine and quite warm

Five-day forecast

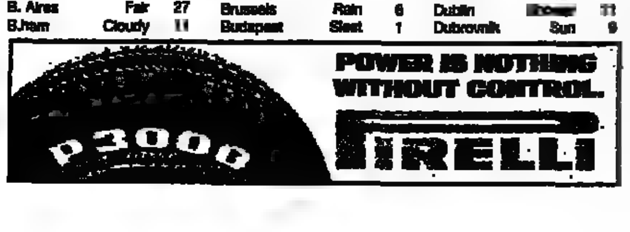
Central and north-west Europe will be unsettled with rain. It will be mild tomorrow with snow confined to the mountains, but temperatures will drop again later in the weekend. Another heavy fall of snow is expected over the Alps on Saturday. The western Mediterranean will stay settled and quite sunny.

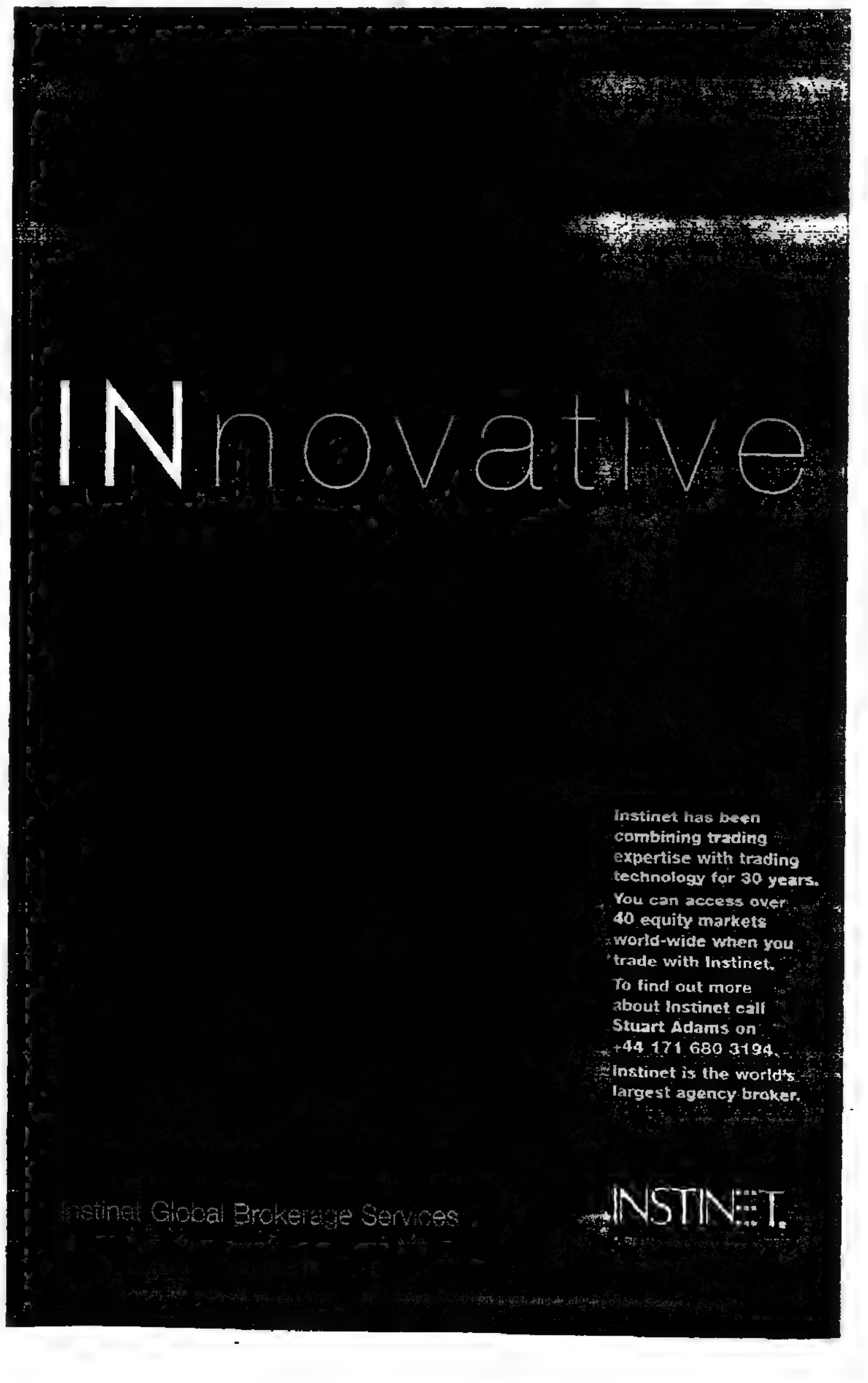


Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	28
Accra	Fair	32
Algiers	Sun	16
Amsterdam	Rain	6
Athens	Shower	14
Atlanta	Cloudy	16
B. Aires	Fair	27
B.ham	Cloudy	11
Bangkok	Fair	33
Barcelona	Sun	15
Beijing	Sun	2
Belfast	Drzzl	10
Belgrade	Sleet	4
Berlin	Cloudy	-1
Bermuda	Fair	22
Bogota	Shower	19
Bombay	Sun	34
Brussels	Rain	6
Budapest	Sleet	1
C.hagen	Fair	2
Cairo	Fair	23
Caracas	Fair	28
Cardiff	Fair	11
Casablanca	Sun	16
Chicago	Fair	2
Cologne	Sleet	3
Dakar	Fair	22
Dallas	Fair	22
Delhi	Fair	25
Dubai	Sun	25
Dublin	Shower	11
Dubrovnik	Sun	9
Edinburgh	Cloudy	9
Faro	Sun	16
Frankfurt	Fair	5
Geneva	Fair	7
Gibraltar	Sun	17
Glasgow	Cloudy	10
Hamburg	Cloudy	3
Helsinki	Snow	-3
Hong Kong	Cloudy	23
Honolulu	Sun	27
Istanbul	Thunder	9
Jakarta	Thunder	30
Jersey	Cloudy	11
Johannesburg	Thunder	28
Karachi	Sun	29
Kuwait	Fair	27
L. Angeles	Fair	18
Las Palmas	Fair	20
Lima	Cloudy	27
Lisbon	Sun	15
London	Rain	11
Lux.bourg	Sleet	2
Lyon	Cloudy	6
Madeira	Fair	17
Madrid	Fair	14
Majorca	Sun	16
Malta	Fair	16
Manchester	Drzzl	9
Manila	Fair	31
Melbourne	Shower	19
Mexico City	Sun	25
Miami	Shower	26
Milan	Sun	13
Montreal	Snow	3
Moscow	Snow	-2
Munich	Sleet	2
Nairobi	Thunder	30
Naples	Fair	13
Nassau	Shower	27
New York	Rain	8
Nice	Sun	15
Nicosia	Fair	18
Oslo	Snow	-1
Paris	Cloudy	10
Perth	Sun	35
Prague	Snow	1
Rangoon	Fair	35
Reykjavik	Snow	3
Rio	Rain	28
Rome	Sun	13
S. Frsco	Rain	17
Seoul	Fair	2
Singapore	Thunder	31
Stockholm	Fair	-1
Strasbourg	Cloudy	5
Sydney	Fair	27
Tangier	Sun	16
Tel Aviv	Cloudy	18
Tokyo	Rain	13
Toronto	Fair	2
Vancouver	Cloudy	8
Venice	Sun	9
Vienna	Sleet	2
Warsaw	Snow	-2
Washington	Shower	8
Wellington	Fair	22
Winnipeg	Fair	-6
Zurich	Cloudy	3





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FINANCIAL TIMES
COMPANIES & MARKETS
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THURSDAY FEBRUARY 18 1999
Week 7

INSIDE

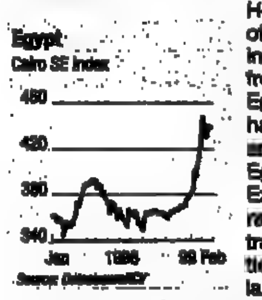
BNP plan receives French backing
The French government has welcomed plans by Banque Nationale de Paris to play a leading role in the privatisation of Crédit Lyonnais, and its offer to guarantee jobs at its rival in the event of an alliance. Analysts say BNP's plan to maintain two separate networks but share a platform of products is viable. **Page 14**

Small town broker branches out
Edward Jones, the Missouri-based broker that is one of the few remaining partnerships in the US financial services sector, has thrived for decades by selling stocks and mutual funds through one-man offices in small-town America. Now, it is talking of expanding in the UK and continental Europe. **Page 16**

Japan succumbs to the internet bug
In the past few months the US frenzy for the internet has spread to Japan. Internet-related stocks have soared, pushed up by the internet's perceived growth opportunities and a lack of investment alternatives. However, it is uncertain that internet growth in Japan can accelerate enough to justify current valuations. **Page 15**

Softbank sells 3m Yahoo! shares
Softbank, the Japanese software company best known for its internet investments, has sold 3m shares in Yahoo!, the US internet search engine company, to cover consolidated pre-tax losses from other investments. The company plans to use the proceeds to make further internet investments – something that has proved more profitable than its software operations. **Page 15**

Updated systems enhance Cairo



Hopes for a faster pace of privatisations and initial public offerings from family-owned Egyptian companies have risen with the announcement that the Egyptian Stock Exchange has inaugurated its automated trading, clearance, settlement and surveillance systems. Key to attracting the private sector to the market has been the need to assure companies that the ESE is capable of overseeing a high volume of trade while ensuring transparency. **Page 32**

Futures price index at 24-year low
World commodity markets showed renewed signs of weakness as crude oil prices slipped below $10 a barrel in London and the broad-based Bridge/CRB Futures Price Index fell to a new 24-year low. **Page 22**

Greece to extend bond maturities
Greece will issue its first 20-year bond in the second quarter and plans to bring its debt profile into line with the rest of the European Union by issuing a 30-year bond before the year-end. **Page 20**

COMPANIES IN THIS ISSUE

AOL	16	Mitsubishi Electric	13
AT&T	16	Monsanto	8
Akbank	14	MorphoSys	14
Allianz	14	NEC	15, 13
Alpha Credit Bank	14	Nice Systems	14
Axa	14	Novo Nordisk	14
BNP	14	Oracle Japan	15
BP Amoco	28, 13	Outlet Centres Intl	16
Bank Austria	14	Packard Bell	13
British Aerospace	28	Paribas	14
British Airways	28	Puerto Rico Tel. Co.	5
Cadbury Schweppes	28	Railtrack	28
Commercial Bank	14	Rauma	14
Crédit Lyonnais	14	Repsol	8
Daimler-Benz	14	Rhône-Poulenc	14
Deutsche Bank	14	Saga Petroleum	14
EFG Eurobank	14	Scania	14
eBay	16	Shell	8
Edward Jones	16	Shell Transport	28
Endemann Internet	14	Sidanco	13
eToys	16	Slug and Lettuce	28
Fletcher Challenge	15	Société Générale	14
Fujitsu	15, 13	Softbank	15
GKN	28	Software AG	13
GTE	5	Starwood Hotels	16
Garanti Bank	14	Sumitomo Bank	15
H. J. Heinz	13	Sumitomo Trust	15
Hitachi	13	TCI	16
Hoechst	14	Tesco	8
IFAO	14	Toshiba	13
IBJ	15	Trend Micro	15
Ionian Bank	14	United News & Media	28
Kuwait Petroleum Co.	14	Valmet	14
Lehman Brothers	16	Volvo	14
Lucent	16	Weight Watchers	13
Masternet	15	Woolwich	28
		Yahoo!	15
		Yahoo!Japan	15
		Zeneca	8

CROSSWORD, Page 22

MARKET STATISTICS

Annual reports club	26, 27	Emerging Market bonds	20
Benchmark Govt bonds	20	FTSE Actuaries share indices	28
Bond futures and options	20	Foreign exchange	21
Bond prices and yields	20	Gilts prices	20
Commodities prices	22	London share service	26, 27
Dividends announced, UK	17	Managed funds service	22-25
EMS currency rates	21	Money markets	21
Euro prices	18	New Intl bond issues	20
Eurobond prices	20	Recent issues, UK	28
Fixed interest indices	20	Short-term int rates	21
FT/S&P-A World Indices	29	Stock markets at a glance	31
FTSE Gold Mines Index	28	US interest rates	20
		World stock markets	29

OIL GROUP HOPES TO FIND $2BN SAVINGS A YEAR EARLIER THAN FORECAST TO IMPROVE COMPETITIVENESS

BP Amoco to cut costs

By Robert Corzine in London

BP Amoco, the recently merged oil group, is to accelerate its integration to try to deliver $2bn of projected cost savings and synergies within 12 months, almost a year earlier than forecast.

Most of the savings would come in the US, Sir John Browne, chief executive, said yesterday. That would account for 60 per cent of the merger synergies, with most of the remainder in the UK and Europe.

Sir John announced measures aimed at improving competitiveness at a time when all three of BP Amoco's main business areas are under financial pressure.

Worldwide job losses at the combined group are to be accelerated, with an additional 3,000 jobs – many of them managerial and professional – to be eliminated this year on top of the 7,000 that have gone since the merger seven weeks ago. About 30 per cent of the combined white collar work force will be affected.

The company intends to take a $1.5bn special charge this year to cover the cost of the job losses.

The deterioration of trading conditions was reflected in a 34 per cent fall in full year consolidated profits to $4.5bn, one of the better performances among the large international integrated oil groups. Consolidated fourth quarter profits were $875m before exceptional items but after adjusting for special charges of $351m.

These include $45m in merger costs and a $200m writedown on British Petroleum's 10 per cent share of Sidanco, the troubled Russian oil company which has recently gone into a form of administrative bankruptcy.

The Sidanco writedown is seen as especially sensitive, given that the decision to do the deal at the end of 1997 was one of Sir John's few obvious miscalculations since he assumed his position three years ago.

Although Brent crude oil prices yesterday fell through the bottom of their recent trading range of $10-$12, Sir John insisted that "the future has not been cancelled" by what he called the "very difficult environment."

He also repeated his view that crude prices below $10 a barrel were unsustainable, because the resulting cuts in investment would affect the supply and demand fundamentals of the global industry.

For planning purposes BP Amoco is looking at an $11 average for the year.

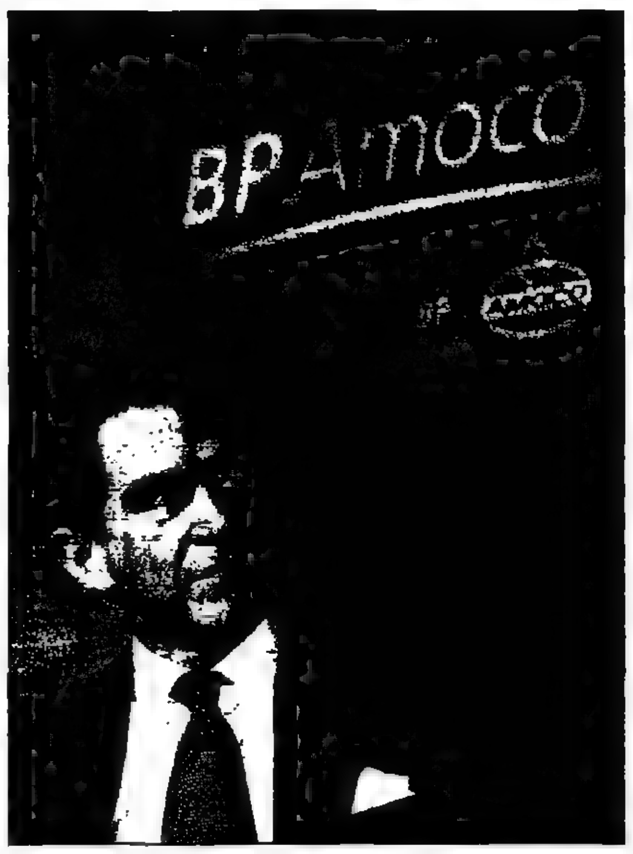
In the upstream sector, BP Amoco is to focus this year on improving margins high margin production at the expense of volumes, which are likely to be flat.

Exploration and production profits in the fourth quarter were down 57 per cent to $747m.

Exploration expenditure this year will be focused on four areas which offer the potential for large, low-cost fields.

There will also be a drive to slash lifting costs. Overall capital expenditure will fall from $10.1bn last year to $7bn.

Lex, Page 12



Seeking savings: BP Amoco chief Sir John Browne yesterday Colin Beere

President of NEC under pressure to resign

By Alexandra Nusbaum and Michiyo Nakamoto in Tokyo

Hisashi Kaneko, the president of NEC, is likely to face pressure to resign at an extraordinary board meeting tomorrow, when Japan's largest personal computer manufacturer is expected to report huge losses.

The apparent turmoil at NEC underscores the crisis gripping Japan's electronics conglomerates. These groups, which include Hitachi, Fujitsu, Toshiba and Mitsubishi Electric, have suffered from weak domestic demand, a collapse in export earnings caused by the yen's strength, and plunging semi-conductor prices.

NEC's net losses are estimated at Y150bn to Y200bn ($127m-$169m) for the year ending March 1999, compared with a previously forecast loss of Y35bn. That compares with consolidated net profits last year of Y41.3bn.

"We do not deny that the loss will be greater than our October forecast," said an NEC official.

Moody's Investor Service announced that it was placing NEC under review for a possible downgrade of its A3 senior unsecured debt rating.

Analysts recently revised down their forecasts, citing the poor performance at Packard Bell, NEC's personal computers business in the US. NEC has invested about $180m in the subsidiary, which it had planned to sell in an initial public offering this year.

Hiroshi Yoshihara, an analyst at Salomon Smith Barney, said: "An IPO of Packard Bell is out of the question now. The company expected Packard Bell to break even in 1998, but it had a record loss of $150m in the first half of the year and will lose at least $350m in the second half."

NEC is also wrestling with issues of management credibility. Last October, Tadahiro Sekimoto, NEC's former chairman, resigned over a defence procurement scandal, but Mr Kaneko declined to resign with him.

The episode damaged NEC's public image and its revenue.

However, NEC's stock proved resilient to the news of expected losses, closing down Y1 at Y1,055, implying that Mr Kaneko's resignation would be regarded positively.

Software AG unveils offering

By Ute Harnischfeger in Frankfurt

Details of what may be Europe's biggest stock market launch of a software group were yesterday revealed by Software AG, the German enterprise systems producer.

The initial public offering, due in the second quarter of the year, is expected to raise at least DM1bn ($500m).

Software AG, set up with six employees in 1969, compared with an expected 2,350 by the end of this year, plans to use the proceeds to enter new sectors and acquire companies or licences from related business such as security software or data filters.

SAP is the only other Frankfurt-listed pure technology stock.

The two trusts that comprise Software AG's current shareholders are to sell more than half of their 28m shares. The company also plans to issue 3m new shares. If there is over-subscription, the company has authority to increase the number of shares by 15 per cent.

If all the potential new shares were issued, the owners would be left with about 35 per cent of the company.

Erwin Königs, chairman, said yesterday he hoped a third of the shares would go to German investors, with "a large part" going to private investors; and a third to the US. They will be listed on the Amtlicher Handel (main market segment) of the Frankfurt exchange.

Preliminary pre-tax profits of DM87.3m for 1998 were 35 per cent up on a year before, Software AG said. Group sales were 9 per cent up at DM626m. Sales and profits this year should rise by "at least at 1998 levels, if not more," Mr Königs said.

Lehman Brothers, bookrunner and global co-ordinator for the deal, said that even using conservative estimates, Software AG should achieve a p/e ratio close to the 40 to 50 of other software companies such as SAP and Oracle. Christian von Jagwitz-Biegnitz of Lehman said the company could even have more potential, given that "its licensing business alone grew 18 per cent last year, compared with 11-12 per cent at Oracle and SAP".

The company is best known for Adabas, a high-performance database management system, and Natural, a so-called application tool. Adabas, on the market for 26 years, is used by such companies as Chase Manhattan, Dow Jones and Deutsche Lufthansa. Last year, the company introduced EntireX, which communicates between different software applications.

Endemann's search, Page 14

Heinz to cut 4,000 jobs in global restructuring

By William Lewis in New York

H.J. Heinz, the US foods company, plans to cut as many as 4,000 jobs from its worldwide workforce of 40,000 over the next four years as part of a wide-ranging restructuring.

It plans to sell off its underperforming Weight Watchers classroom division, close or sell 15 to 20 factories and shake up its manufacturing and distribution system.

Heinz said it expects the restructuring to produce annual cost savings of more than $200m from 2002, while triggering a pre-tax restructuring charge of about $900m.

The restructuring, code-named Operation Excel, will mainly affect operations in Europe. Speaking yesterday to analysts in Naples, Florida, William Johnson, Heinz president and chief executive, said the company's European management team had proposed the closure or sale or one-third of its 21 factories in Europe.

In the UK, the group said it was considering closing its plant in Harlesden, north-west London, which employs about 450.

Globally, Heinz expects to close or sell between 15 and 20 factories and scale back at least 10 more, while expanding at least 13 factories.

Although Heinz is planning to sell off Weight Watchers International, which offers dieting classes, it will keep Weight Watchers brand frozen foods. In recent years the Heinz stock price has underperformed the wider market partly because of the Weight Watchers division.

Mr Johnson said the decision to sell Weight Watchers, which has annual sales of about $400m, reflected "the different skills required to manage a retail business, which are not synergistic with our core competencies".

He also disclosed plans to change the company's manufacturing and distribution structure from a decentralised collection of "unaligned autonomous affiliates" to one managed according to global product categories.

Manufacturing and distribution will now be run through so-called "centres of excellence" that will focus on processing and product expertise on a category-by-category basis across North America, Europe and the Asia-Pacific region.

For example, Heinz will reduce its 24 ketchup bottle designs in Europe to 12, saving at least $5m annually.

Mr Johnson, who in April took over from Tony O'Reilly as Heinz president, said: "Operation Excel makes possible the focus and scale that are essential to winning in the food industry. It is regrettable that a necessary consequence of the restructuring process is a reduction in our global workforce."

Heinz forecasts that over the next four years the restructuring will deliver volume growth of 3-4 per cent annually and growth in earnings per share of 10-12 per cent.

The group planned to focus on six core food categories in six countries where it has the "superior scale to leverage the global power of our brands," Mr Johnson said.

The six core food categories in six countries contribute 80 per cent of the company's total revenues of about $9bn and 90 per cent of operating income.

The restructuring, which has yet to be approved by the Heinz board, left Wall Street unmoved yesterday morning. The shares, which have fallen more than 5 per cent over the past year, slipped $¾ in early trading to end the morning's session at $55.

Propaganda battle rages as euro and dollar stage popularity contest

By Edward Luce in London

A propaganda battle is raging in the international bond market over whether the euro or the dollar is the most popular currency for new bonds so far this year.

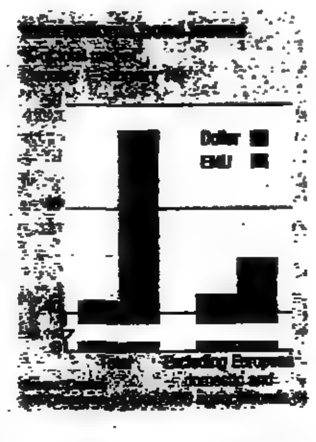
The issue is about more than bragging. At stake is the euro's credibility as a new currency. If European and non-European companies alike continue to borrow in the dollar, then the euro's viability will be in doubt.

This matters because its popularity as a currency in which to denominate corporate liabilities is an important test of whether it passes muster as an economic unit of account.

Similarly, a currency which is shunned by borrowers is unlikely to appeal to the world's leading central banks as an alternative to the US dollar for foreign exchange reserves.

Equally important is the euro's role in the competitive world of investment banking. At present, the so-called "bulge bracket" of leading US investment banks dominates the market for bond and loan underwriting.

"A lot of the big US banks have had a head start over their competitors because most borrowers wanted to issue bonds in dollars," said a senior official at US bank. "If the euro is seen as an alternative, then many of the underwriting fees could migrate to Europe." Proponents of the dollar argue that it has comfortably outstripped the euro as the currency of choice in the international bond market.



However, this is based on figures that exclude European borrowers which chiefly distribute to their home markets, without excluding equivalent US borrowers from dollar calculations.

In contrast, Capital Data Bondware, a leading provider of information on bond issuance, claims that almost 50 per cent of the $176bn issued in international bonds so far this year have been denominated in the euro. This compares with a share of 40 per cent for the US dollar.

The largest combined share in any year for the combined eleven currencies of the first wave of monetary union was 35 per cent. "Using any comprehensive and balanced methodology, the euro is clearly ahead," said Jenny Perkins, manager of bond research at Capital Data.

Even excluding European and US borrowers whose bonds are primarily distributed in their home markets (and are thus only marginally international), the euro still has the lead at 42 per cent, compared with the US dollar's 40 per cent share.

More than two thirds of the $3bn to $5bn bonds regularly issued by the US Federal National Mortgage Association are distributed to US investors. A similar breakdown emerges for the distribution of German jumbo pfandbriefe bonds - paper issued by domestic mortgage banks and secured against commercial and housing loans. It therefore makes sense to exclude these types of bonds from the calculation.

This shows the euro is ahead. For example, JFM, the financier for Japan's municipal governments, this week issued its first international bond since mid-1998 which it chose to denominate in euros.

Others, such as Argentina and the IFC have also tapped the euro. The upshot is that the bond markets are now living in a dual currency world.

"The euro isn't beating the dollar or vice versa," said one analyst. "But borrowers can now play one market off against the other. For the first time there is a genuine choice."

BANKING GROUP REPORTS BETTER THAN EXPECTED PRE-TAX PROFITS OF DM7.9bn

Deutsche recovers from Asia turmoil

By Tony Barber in Frankfurt

Deutsche Bank yesterday reported better than expected profits for 1998 and indicated that it had recovered from the battering that the financial turmoil in Asia and Russia inflicted last year on most big German commercial banks.

Publishing preliminary results for 1998, Deutsche said pre-tax profits had risen from DM2bn to DM7.9bn (€4.04bn, $4.51bn) thanks largely to a DM3.2bn special dividend from Daimler-Benz, the industrial group of which Deutsche owned 21 per cent before its merger with Chrysler of the US.

Deutsche said its operating profit last year was unchanged from the 1997 level of DM4.3bn, after stripping out the Daimler-Benz dividend and excluding the costs of euro conversion and millennium preparations.

In what banking analysts said was a sign that Deutsche might have slightly increased its risk provisions in the final three months of 1998, the bank said: "The changed international risk situation has been completely taken into account in terms of both credit risk and country risk."

Deutsche, Germany's biggest bank, reported last October that its loan loss provisions in the first nine months of 1998 totalled more than DM1bn. The provisions reflected the bank's heavy exposure to Russia at the time of that country's de facto default last August.

Deutsche's operating profit was about DM100m-DM500m better than most German banking analysts had anticipated. They suggested that, after suffering a trading loss of about DM220m in the third quarter of 1998, Deutsche had enjoyed a much healthier fourth quarter.

Direct comparisons between 1997 and 1998 pre-tax profits are misleading, not only because of last year's Daimler-Benz dividend but because the 1997 figure reflected various restructuring charges.

But analysts said Germany's biggest banks appeared to be making a successful recovery from the damage caused by last year's crises in emerging markets. The fourth biggest bank, Commerzbank, last week reported a 47 per cent rise in 1998 after-tax profit to DM1.87bn.

Analysts said Deutsche's prospects in 1999 would depend heavily on whether it could bring its costs under tighter control and make a success of its takeover of Bankers Trust. Rolf Breuer, Deutsche chairman, is confident the merger will be complete by the end of June now his bank is helping to set up a fund compensating people who worked as forced labourers for German businesses in the Third Reich.

French look to keep banking in the family

Finance minister offers support for rationalisation that makes 'social sense' and protects jobs, writes **Samer Iskander**

By implicitly backing plans by Banque Nationale de Paris to play a leading role in the privatisation of Crédit Lyonnais, the French government yesterday gave the strongest hint to date that rationalisation in the banking sector would start at home before moving to the next – pan-European – stage.

Dominique Strauss-Kahn, finance minister, yesterday underlined the need "to have a few [banking] networks of global importance with French origins".

While acknowledging that France could not favour a domestic bank bidding for Crédit Lyonnais over a foreign bidder, he said the government nonetheless hoped that "existing links between Crédit Lyonnais and other French banks [would] allow this type of solution to emerge, rather than another".

He also said mergers had to make "social sense, because employees must not pay the price for endless restructurings". This was interpreted as an encouragement to BNP, which this week offered to guarantee the jobs of Crédit Lyonnais' employees as part of a possible alliance between the two banks.

Initially, BNP's offer seemed to contradict recent estimates that any French merger involving two large commercial banks would result in up to 15,000 job losses, because of the need to restructure overlapping branch networks. When Société Générale and Paribas announced their merger earlier this month, many analysts said the deal was made possible by the fact that Paribas had no branches.

However, analysts said the BNP plan, which would maintain two separate branch networks, was viable.

"You can easily have two branch networks serving their clients independently," said John Leonard, European banking analyst at Salomon Smith Barney. "Most of the synergies, maybe 80 to 85 per cent, can be found upstream."

A BNP executive said the proposed structure had been tested successfully in other sectors. "Take the car industry, for example. Many companies manage to sell several brands through different networks profitably. The main cost savings are not achieved in the networks, but in the production process, where the different brands share components."

Under BNP's proposal, the two banks would have a joint "factory", producing standardised products – loans and savings instruments – that would then be sold through the separate branch networks. No redundancies would be necessary, because "both BNP and Crédit Lyonnais have already gone a long way in rationalising their back-offices".

But there is a broader significance to BNP's offer, some analysts say. It could have implications for the Crédit Lyonnais privatisation and French banking rationalisation in general. It could even lead the government to review the structure of the planned sale.

Under a method agreed with the European Commission last year, Paris is to sell 30-33 per cent of Crédit Lyonnais to institutional investors, while the state will keep a stake of just under 10 per cent. The remaining shares are to be floated on the stock market, with the bank's employees benefiting from preferential conditions.

"Ultimately, this [BNP's offer] could put a trade sale back on the agenda," says one analyst. "At the very least, the 'no lay-offs' requirement will become a pre-requisite for other potential bidders." These include the merged entity SG-Paribas, Crédit Agricole, Axa, the French insurer and its German rival Allianz.

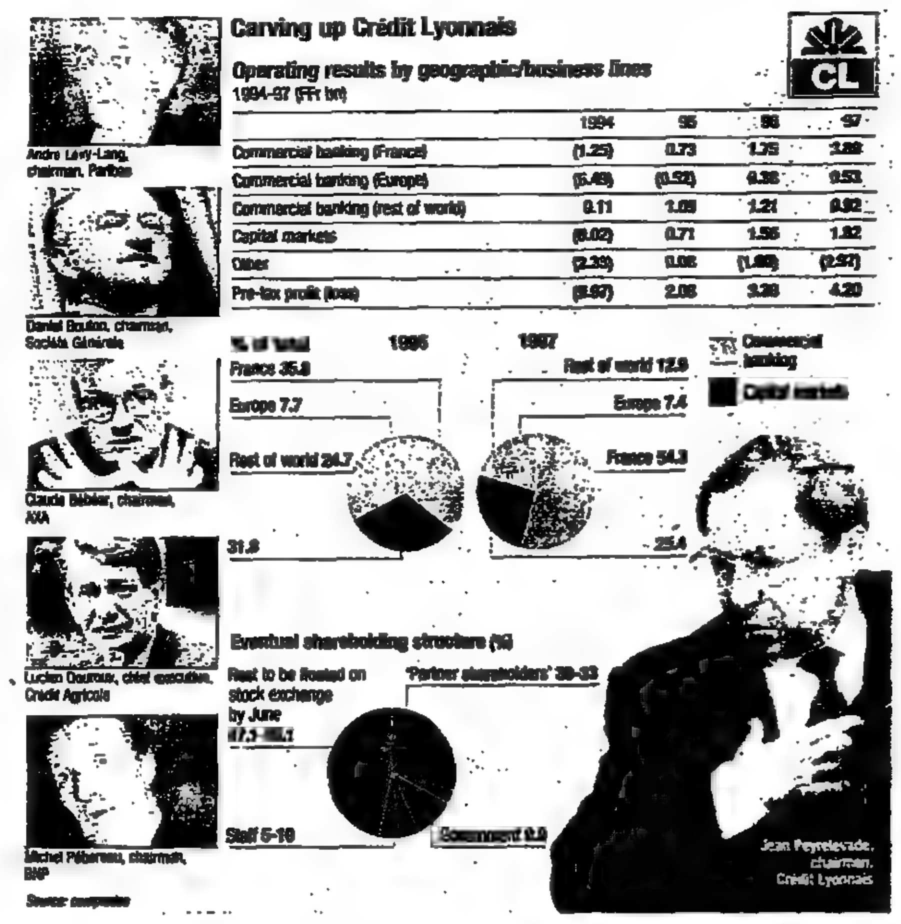
However BNP's offer will face two obstacles. The first arises from Mr Strauss-Kahn's commitment to Karel Van Miert, EU competition commissioner, that the privatisation would be "open, transparent and non-discriminatory". As a result, Mr Strauss-Kahn would have to justify any favourable treatment granted to BNP.

The second obstacle is the opposition of Jean Peyrelevade, Crédit Lyonnais chairman, to any link-up with a rival commercial bank.

He has insisted he is opposed to either BNP or SocGen becoming part of his bank's core shareholders.

Unlike BNP, which is listed on the Paris Bourse, Crédit Agricole is mutually owned. In a hypothetical bidding war, Crédit Agricole's FFr45bn (€6.9bn, US$7.7bn) war chest could make a difference.

But ultimately, the choice of shareholders for Crédit Lyonnais will be made by Mr Strauss-Kahn, under intense scrutiny from Mr Van Miert.



Carving up Crédit Lyonnais

Operating results by geographic/business lines
1994-97 (FFr bn)

	1994	95	96	97
Commercial banking (France)	(1.25)	0.73	1.75	2.89
Commercial banking (Europe)	(5.49)	(0.52)	0.38	0.53
Commercial banking (rest of world)	0.11	1.09	1.21	0.92
Capital markets	(8.02)	0.71	1.56	1.82
Other	(2.39)	0.08	(1.69)	(2.97)
Pre-tax profit (loss)	(8.97)	2.08	3.28	4.20

Andre Levy-Lang, chairman, Paribas
Daniel Bouton, chairman, Société Générale
Claude Bébéar, chairman, AXA
Lucien Douroux, chief executive, Crédit Agricole
Michel Pébereau, chairman, BNP
Jean Peyrelevade, chairman, Crédit Lyonnais

Source: companies

Hoechst merger block may ease

By David Owen in Paris and David Pilling in London

The sole Kuwaiti member of Hoechst's supervisory board is expected to approve the proposed merger between the German company and France's Rhône-Poulenc, in a move that would remove an important potential stumbling block to the creation of the world's biggest life sciences company.

Sources familiar with the merger plans yesterday indicated the approval would come at a Hoechst supervisory board meeting scheduled for March 16.

The government of Kuwait, which indirectly holds a 24.5 per cent stake in Hoechst via the Kuwait Petroleum Corporation, has had a voice on the body since 1952. Its representative is Khaled-saleh Buhamrah, chairman and managing director of Petrochemical Industries Corporation in the Gulf Arab state.

Yesterday's developments came as reports that the KPC had doubts over the benefits of the merger appeared to suggest that the pioneering deal had hit a snag. "This merger does not serve our interests . . . we have reservations," Sheikh Saud Nasser al-Sabah, the Kuwaiti oil minister, told Reuters news agency. Sheikh Saud, who also heads the state-owned KPC, declined to elaborate.

KPC could not by itself block the planned merger, which must be approved by 75 per cent of shareholders in May. But there have been fears Kuwaiti objections might provide a focal point for German opposition to the planned formation of the two companies into a group to be called Aventis.

The German press has reacted angrily to the planned merger, which is seen as favouring the smaller Rhône-Poulenc. Criticism has focused on the planned headquarters of the new company being in Strasbourg, France, and Hoechst will lose its name.

The planned Aventis merger, which will be conducted in two stages over three years, has received a mixed reaction elsewhere. One chief executive from a rival pharmaceuticals company described it as "a marriage of a beta with a beta". Both companies were in the process of integrating a series of previous acquisitions.

SWEDEN TRUCKMAKER REAFFIRMS OPPOSITION TO VOLVO DEAL

Scania drives profits 18% higher

By Tim Burt in Stockholm

Scania, the Swedish heavy truck manufacturer, yesterday reiterated its opposition to a potential takeover from rival Volvo, and unveiled an 18 per cent increase in full-year profits.

The company, vowing to pursue an independent strategy in the global truck industry, said it had consolidated its position as Europe's second largest producer of heavy trucks. It predicted a sharp rise in operating income this year.

Scania has been at the centre of bid speculation since Volvo acquired a near 13 per cent in the company for SKr5.2bn ($655m) last month, and indicated that it would like to pursue an agreed takeover. But Leif Ostling, chief executive, reiterated his opposition, saying: "The board and executive management are convinced that Scania has good prospects to continue as an independent entity."

He was speaking after Scania reported operating profits up from SKr3.05bn to SKr3.59bn on sales of SKr45.3bn in 1998, against turnover of SKr39.7bn in the previous year.

He predicted that a combination of buoyant European demand, increased manufacturing capacity and reduced costs would lift profits by a further SKr1.5bn this year.

The figures broadly mirrored a preliminary income statement from Scania last month, which was rushed out after Volvo acquired its stake. Since then, Mr Ostling has argued that Scania could stand alone.

Yesterday he was forced to justify that position after admitting to the sale of 245,000 share options in Scania three weeks after Volvo acquired its stake. This helped to lift Scania's share price by more than 30 per cent. Mr Ostling admitted to a miscalculation although he denied any wrongdoing. He promised to donate the SKr1m estimated gain from the transaction into Scania's employee profit-sharing foundation.

The furore over the options threatened to overshadow Scania's upbeat trading statement, regarded by many industry analysts as a thinly veiled bid defence.

Volvo has discussed a possible takeover with Investor, Scania's controlling shareholder and the main vehicle for Sweden's Wallenberg empire, but has so far failed to agree on a valuation.

Volvo has boosted its spending power by deciding to sell its car division to Ford of the US for SKr50bn. The automotive group is thought to value Scania at SKr270-SKr280 a share – equivalent to SKr54bn-SKr56bn.

Scania's most traded B shares, which have fluctuated between SKr175.50 and SKr254 in the past month, yesterday eased SKr2 to SKr210.50. Volvo's B shares closed down SKr6 at SKr209.50.

Deadline set for Ionian offers

By Kerin Hope in Athens

Greece's state-controlled Commercial Bank group has set March 26 as the deadline for binding offers for 51 per cent of its subsidiary Ionian Bank. J.P. Morgan, the international investment bank, is advising Commercial on the sale, the biggest privatisation in Greece's banking sector.

Commercial has not revealed the names of bidders shortlisted after the first round of indicative offers. However, three Greek banks are understood to have made offers: Alpha Credit Bank, the country's largest private bank; EFG Eurobank, which is controlled by the Latsis shipping and oil group, in partnership with Ergobank; and Piraeus Bank, which is owned by a group of Greek entrepreneurs.

The offering terms provide for Commercial to hold three weeks of negotiations with bidders after the deadline.

Although Commercial holds about 57 per cent of Ionian and will receive all the proceeds of the sale, Greece's economy ministry is expected to make the final decision on the buyer.

The government is keen to complete the sale next month to keep its privatisation programme on track. It has been delayed since August, when a tender offer through the Athens Stock Exchange collapsed.

Endemann's search heralds new market trend

German group will be the first pure internet company to list on Neuer Markt

By Uta Harnischfeger in Frankfurt

Ingo Endemann, chairman and majority owner of Germany's only profitable internet search engine, is disgusted with venture capital companies.

When his three-year old company turned to German venture capitalists last summer, all they wanted was to "bleed us to death", he says. "They wanted to give us a million [Deutsche marks] and get an 80 per cent stake in us in return."

Now, eight months later, Endemann's Internet will be the first pure internet company to list on the Neuer Markt on March 10, which coincides with the second anniversary of the Frankfurt-based smaller companies market.

The listing of Endemann Internet marks a new trend in the Neuer Markt's short yet successful history. After a slew of telecommunications and software companies listed last year, raising the overall number of companies on the Neuer Markt more than 60, analysts see more biotechnology, internet and new materials companies coming to market in the next months.

Among the next three companies to list by March 1 are a telecommunications company, an entertainment electronics provider and I:FAO, which makes internet software for travel bookings. Later in March and April, they will be joined by several biotechnology companies – among them MorphoSys, which postponed its placement due to the market downturn last autumn.

Nick Jefcoat, Frankfurt-based managing director at Robert Fleming, expects biotechnology companies to become the next vogue stock on the Neuer Markt. Unlike software, he says biotech companies are "an even riskier game and it takes longer, often six to seven years, for them to take off". That may explain why they are hitting the market slightly later.

Another indicator of the market's growing variety is that Deutsche Boerse, which runs Neuer Markt, is contemplating splitting it into several segments, with the eventual idea to create separate indices for the segments.

The listing of Endemann Internet may mark another new trend among German start-up companies. Instead of using a large banks – for which "we would have only been a playball", Mr Endemann says – the group chose Metallbank, one of Germany's smaller banks, to be lead manager. He will also be listing a small tranche through a Munich-based virtual listing company.

Also, Mr Endemann wanted to sell the bulk of the stock to private investors, which Metallbank agreed to do. That means that 70 per cent of Endemann's new shares will go to private investors, with the remainder going to institutions.

The success of Endemann Internet are Mr Endemann's roots in the advertising industry. Bored with merely designing adverts, in 1996 Mr Endemann started to create his first search engine and used his advertising contacts to place ads on them. Within a year, he reached the financial turnaround.

Fate also helped Mr Endemann, and US President Bill Clinton's involvement with Monica Lewinsky was heaven-sent because "Lewinsky really got the German internet booming".

Endemann will use the listing proceeds to acquire other search machines. So far, Endemann's status symbols are Spider.de and Aladin.de, with 2m and 4m monthly "hits" each, but this week it bought another search engine, Eule.de, with roughly 1.2m monthly hits.

Mr Endemann says he will overtake German Yahoo! by the end of this year, when he also plans to start services in the US.

In 1998, Endemann Internet had group sales of roughly DM1.32m, but that is expected to rise to about DM5.84m (€2.9m, $3.25m) this year. In 1998, he earned about DM181,000, and expects to make about DM2.26m in 1999.

European 'smallcap' markets

	No. of companies	Market cap (€m)	Share (%)	Turnover (€m)
Alternative Investment Market (UK)	312	5,327.9	12.4	109.2
Easdaq (Europe)	39	13,100.8	25.7	146.9
Neuer Markt (Germany)	63	26,112.6	51.3	1,864.3
Nouveau Marché (France)	81	4,213.8	8.3	148.4
NMAX (Netherlands)	13	955.4	1.9	71.7
Euro NM Belgium	8	235.8	0.5	8.4
Total	516	50,945	100	2,348.9

Source: FT Research

NEWS DIGEST

FINLAND

Valmet-Rauma warns of earnings slowdown

Valmet and Rauma, the Finnish engineering and forestry groups that are planning to merge, yesterday announced a drop in full-year profits and warned that earnings would fall further in the first half of 1999 due to an investment slowdown by the paper and pulp industry. In the 12 months to December 31, the merged Valmet-Rauma had a pro-forma, pre-tax profit of FM1.48bn (€249m, $278m) compared with FM1.95bn a year earlier, on sales of FM21.97bn compared with FM23.18bn. Earnings per share fell to FM8.15 from FM10.55. Rauma's most commonly traded I share fell €1.35 to €9.50 with Valmet A down by €1.25 to €8.80.

Matti Sundberg, chief executive designate of Valmet-Rauma said the fall in profits had been exaggerated as 1997 results had been boosted by extraordinary items. However he said the Asian crisis had weakened the pulp and paper machine market with projects and investments being postponed.

Valmet said it had been able to make up some of the lost Asian demand with orders in Europe and South America although operating profit in its paper and board machinery division fell to FM572m from FM714m. It proposed a dividend of FM3.50 unchanged from a year earlier while Rauma proposed a dividend of FM3.81 up from FM3.25. **Nicholas George, Stockholm**

BANKING

Bank Austria flat

Bank Austria, Austria's biggest bank, yesterday reported unchanged operating profits of Sch13.4bn (€974, $1.09bn) in 1998. Last November it forecast that operating profits, before provisions, would be 10 per cent lower because of a third-quarter loss of Sch500m on trading. Although the group's performance was marginally better than forecast, the expected synergies from the 1997 merger with Creditanstalt appear to be taking longer than expected to show through with the cost/income ration remaining unchanged at 68 per cent.

Yesterday's results do not include the impact of the Sch11.3bn provision, which was double last year's figure, and reflects the need to write down the group's substantial Russian exposure. That has been reduced to Sch10bn, and Sch6.7bn of the Sch7bn of higher-risk Russian loans have been fully provided for.

The bank has closed all its dollar-rouble forward foreign exchange transactions and has fully provided against the Sch2.5bn losses. The group expects to earn Sch60 per share in 1999 and achieve its target of Sch80 a share by 2,001. It decided to leave its dividend unchanged at Sch14 a share. **William Hall, Vienna**

Akbank advances 28%

Akbank, Turkey's second-largest private sector bank, yesterday reported a 28.5 per cent rise in net profits to $761m last year. Erol Sabanci, chairman, said it had increased loans by 31 per cent to $2.76bn in spite of a difficult environment in the second half of the year.

Akbank's results follow figures published on Friday by Garanti Bank, the country's fourth largest private sector bank, showing that it had increased net earnings by about 26 per cent to $497m last year. **Leyla Boulton, Ankara**

NORWAY

Shake-up at Saga Petroleum

Saga Petroleum, Norway's third largest oil company, yesterday announced a sweeping restructuring involving job cuts in response to a worse-than-expected net loss of NKr1.26bn ($163m) last year, compared with a NKr931m profit in 1997.

Diderik Schnitler, chief executive, blamed a 30 per cent fall in oil prices and NKr2.355bn in write-downs and loss accruals for the poor results.

The company's initiative, aimed at increasing efficiency 25 per cent, follows an up to NKr5bn operating profit improvement plan launched this week by Norsk Hydro, Norway's largest industrial group, sparked by low oil prices and falling profitability. The company will announce the scope of job cuts among its 1,600 staff in April. Saga also warned it expects a negative cash flow in 1999. **Valeria Sköld, Oslo**

PHARMACEUTICALS

Novo Nordisk earnings surge

Novo Nordisk, Denmark's largest pharmaceuticals company and a world leader in insulin production, yesterday saw its share price surge on back of unexpectedly strong 1998 earnings. News of a 13 per cent rise in pre-tax profits from DKr3.29bn to DKr3.74bn ($562m) despite global economic woes and a weakening of Novo's invoicing currencies against the Danish krone, sent the Novo share 5 per cent higher to DKr810.

Operating profit advanced 16 per cent to DKr3.53bn, but though Novo maintained its target of an increase of at least 15 per cent in operating profit this year, it said a reduction in licence income from its Seroxat/Paxil antidepressant drug will have a considerable negative impact on operating profit in 2000. Novo sold the Nordic marketing rights to Seroxat to SmithKline Beechamplc in April last year.

Though sales of industrial enzymes declined 2 per cent, Novo reported continued strong performance in its core diabetes care business, with sales in this sector up 10 per cent to DKr9.81bn in 1998. Novo said the increase chiefly reflected favourable developments in the US, where sales rose 20 per cent. The company plans to increase its dividend payout 35 per cent from DKr5.75 to DKr7.75 per share. **Clare MacCarthy, Copenhagen**

ISRAEL

Nice Systems recovers

Nice Systems, an Israeli manufacturer of digital voice and data logging systems, yesterday reported a 31 per cent increase in 1998 revenues and said it had rebounded from a third quarter mishap that sent its shares plunging last September. Revenues climbed from $69m in 1997 to $91m last year.

After a net loss of $3.2m, or 35 cents a share in 1997, Nice returned to the black with net income of $4.5m, or 40 cents, on a fully diluted basis, in 1998. Excluding one-off expenses in both years, net income climbed 8 per cent from $12.5m to $13.5m.

Late last September, after Nice recalled a key new product for call centres, its shares on Nasdaq in New York fell from more than than $29 to $12 in early October. The shares have been clawing back, but were down yesterday more than 6 per cent in early trading to $22¾. Nevertheless, analysts said Nice appears to have bounced back. "Nice now has a window of opportunity to build market share and grow," said Victor Halpert, computer-telephony analyst at BancBoston Robertson Stephens. **Avi Machlis, Jerusalem**

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Japan succumbs to the internet bug

Alexandra Nusbaum finds that late conversion brings associated problems of over-valuation to the stock market

Japan ought to have had enough of stock market bubbles. But in the past few months the US internet frenzy has seized the country, contributing to concerns that Japan's fledgling internet industry is severely inflated.

Japanese internet-related stocks have soared recently, pushed up by perceived growth opportunities of the internet and a lack of attractive investment alternatives. However, it is uncertain internet growth in Japan will accelerate enough to justify current valuations, including price-to-earnings multiples that are comparable to US internet stocks.

Since early January, Japanese internet stocks, like their US brethren, have undergone a minor correction but continue to look expensive.

Yahoo!Japan, a subsidiary of the US search engine, trades at a price-to-earnings ratio of 1,378 times based on last year's earnings, in spite of a recent 3.5 per cent drop in its share price.

Yahoo!Japan's stock climbed six-fold from last year's low of Y2.6m ($33,609) to a high of Y17m on January 19. Softbank, the media and software company that owns 60 per cent of Yahoo!Japan, has seen its stock price climb 145 per cent from Y3,700 last year to a high of Y9,100 in January.

And Trend Micro, an anti-virus software company that is 25 per cent owned by Softbank, saw its share price jump 125 per cent from a low of Y4,180 in October to a peak of Y9,410 on January 12.

In the past month, Softbank's stock has fallen about 12 per cent, while Trend Micro's share price is down about 16 per cent. Masternet, an internet service provider that allows users to download music for karaoke, is trading at a price-to-earnings ratio of 212 times after its stock jumped six-fold last December.

It closed at Y2.46m on January 8 after hovering around Y400,000 throughout 1998. It has since fallen 35 per cent. The company, which employs 18 people, has a market capitalisation of about Y9.6bn.

Masternet's stock rose because it was "under the influence of Nasdaq internet stocks" not because of corporate performance, explains Shinichi Nishikubo, Masternet president.

Oracle Japan's recent initial public offering is the latest indication of the pent-up demand for internet-related investments, particularly among retail investors.

The stock's debut on the over-the-counter market was at a 73 per cent premium to its offer price and was more than 100 times subscribed, said Hiroyuki Hoshi, a broker at Nikko Securities, which was lead manager of the offering. As in the US, investors' expectations of future growth, rather than concrete earnings, has pushed stocks to these levels.

"The problem is that you cannot estimate the size of the internet market, and the lack of an estimate further boosts expectations," says Yuichi Honda, analyst at Deutsche Morgan Grenfell.

"The earnings of internet-related companies will maintain double-digit growth for the next two years, but even so, the shares are trading at a premium," he adds. It is not surprising that Japan's internet sector is hot. What is surprising is the country that created the Walkman and the digital video-disk has taken so long to embrace the internet.

Even Japan's big electronics companies such as NEC and Fujitsu have not made any significant contributions to the internet in terms of software or operating systems. Both companies have gingerly entered the market by creating internet service providers that compete with over 3,000 other ISP's to offer "value-added services", such as family-oriented products and educational programmes.

But Japan has produced few of the sort of aggressive, entrepreneurial internet companies that have sprung out of Silicon Valley in the US. Cultural differences, the absence of a developed venture capital community and a limited number of Japanese users have damped any growth.

Potential internet users have also been deterred by high telecom charges and a lack of Japanese language content on the Web.

In addition, few Japanese have even owned a computer, opting instead for the less expensive personal "handyphones" which can send and receive e-mails.

But this is changing. PC sales rose last year for the first time since 1996, according to Kiyonori Takechi of the multimedia services division of NEC.

And ISDN lines, the high-speed digital based service networks that allow users to speak and send large amounts of data over the telephone lines, are being installed at a rapid rate and offer a low-cost alternative to analogue phone lines.

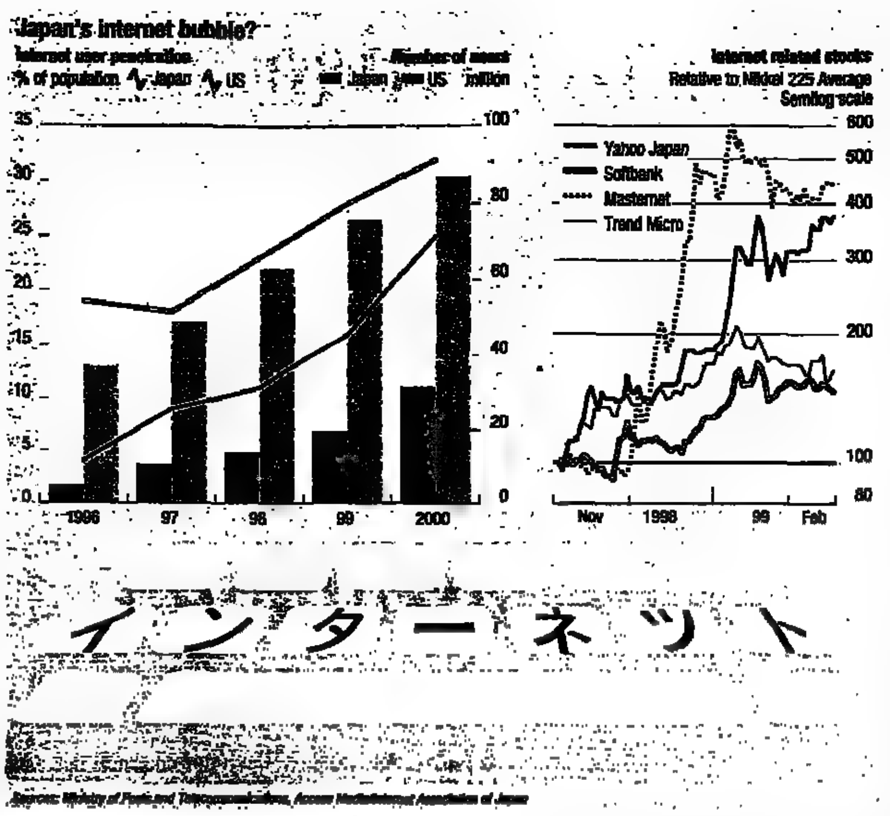
ISDN installations grew 120 per cent to 2.3m last year and are expected to climb 56 per cent to reach 3.6m this year, says Goldman Sachs, the US investment bank.

By 2005, the number of ISDN users is estimated to reach 16m with 12.7 per cent penetration. The number of internet users in Japan should climb to 20m this year, up 43 per cent, according to Access Media/Internet Association of Japan.

In the US, internet usage is expected to grow 20 per cent in 1999 to 76m users, according to Jupiter Communications. While the number of internet users in Japan is forecast to grow more quickly than in the US, penetration in the US is expected to be 28 per cent in 1999 versus 16 per cent in Japan.

Japan's internet industry is well positioned to take off, following in the footsteps of US internet stocks. But it remains to be seen whether the internet's growth in Japan will be rapid and powerful enough to sustain current valuations. If not, Japan might feel the pop of another bubble.

> **'The problem is that you cannot estimate the size of the internet market, and the lack of an estimate further boosts expectations'**



Sources: Ministry of Posts and Telecommunications, Access Media/Internet Association of Japan

Softbank sells Yahoo! shares

By Alexandra Nusbaum in Tokyo and Roger Taylor in San Francisco

Softbank, the Japanese software company best known for its prescient internet investments, yesterday revealed it sold 3m shares in Yahoo!, the US internet search engine, to cover consolidated pre-tax losses from other investments.

Softbank reported a profit of $290m from the sale of its Yahoo! shares which helped boost estimated consolidated net income to Y32bn ($271m), up from Y10.3bn last year. The sale reduced Softbank's stake in Yahoo! from 30 per cent to 28 per cent, but it remains Yahoo!'s largest shareholder.

The company plans to use the proceeds to make further internet investments. Softbank has extensive internet investments including holdings in E*Trade, the internet brokerage, E-Loan, the internet mortgage broker, Buy.com, the net retailer and Cybercash, a company that develops secure payment systems for the internet.

"Softbank is the next-generation venture capital company that provides not just money but also support systems in order to get real returns," said Mahendra Negi, an analyst at Merrill Lynch Japan.

The company also announced it expected its first pre-tax loss, before exceptionals, of Y15bn for the year ending March 31, against a profit of Y24.27bn for the same period last year. Softbank said worse-than-expected earnings at its US publishing company, Ziff Davis, hurt group profits.

At parent level, Softbank raised estimated pre-tax profits, before exceptionals, from Y15bn to Y20bn. This compares to Y26.28 previously.

Softbank shares fell Y150 yesterday to Y7,960. Shares in Yahoo! recovered some ground, rising more than $1¾ to $135¼ in morning trading.

Sumitomo warns of bigger losses

By Gillian Tett in Tokyo

Three of Japan's largest banks yesterday warned they were likely to report larger than expected losses in fiscal 1998 due to massive write-offs of bad loans.

It results from increasing government pressure on the banks to improve their financial strength before a planned injection of public funds into their capital bases at the financial year-end.

Sumitomo Bank said that it would report a Y1,050bn ($9.19bn) provision for bad loans, compared with an earlier forecast of Y800bn provisions it made in September.

This will push it into a group current loss of Y845bn in fiscal 1998, compared with an earlier forecast for a Y350bn loss, and a loss of Y502bn last year.

The bank said it planned to seek public funds of about Y500bn to strengthen its capital, which is seen improving to over 10 per cent of its BIS-required capital adequacy ratio level. And it confirmed it was considering selling all or part of its controlling stake in Gotthard Bank, the Swiss group.

Sumitomo Trust also warned it would post a Y180bn loss, against a previous forecast of a Y20bn profit, due to planned write-offs of Y400bn in bad loans, up from its earlier estimate of Y210bn. It plans to obtain Y200bn in public funds, by issuing Y100bn in preferred stocks and Y100bn in subordinated bonds.

The Industrial Bank of Japan reported that it would write off Y900bn in bad loans, compared with an earlier forecast of Y600bn. This will push it into a group current loss of Y330bn in 1998.

Fletcher earnings fall to NZ$113m

By Terry Hall in Wellington

Difficult international forestry and newsprint markets, low oil prices and a building recession in New Zealand meant consolidated net earnings for the Fletcher Challenge group plunged from NZ$413m to NZ$113m (US$61m) in the half-year to December 31.

However, operating cash flow rose 35 per cent to NZ$696m, reflecting cost reduction and restructuring at the forestry, construction and oil conglomerate.

Operating earnings, before interest and tax, rose 17 per cent to NZ$258m.

Reports from Fletcher's four subsidiaries showed they all suffered in a difficult trading environment.

Net earnings at Fletcher Challenge Energy more than halved to NZ$56m. Fletcher Challenge Paper reported earnings of NZ$28m compared with NZ$189m last time.

Fletcher Challenge Building earnings fell from NZ$78m to NZ$17m. Fletcher Forests' earnings were NZ$3m, down from NZ$26m last time.

Fletcher Forests is not paying a dividend; Fletcher Building cut the interim dividend from 8 cents to 6 cents; Fletcher Energy from 8.5 to 7 cents; and Fletcher Paper from 3 to 1.5 cents. Fletcher stocks were mixed, with Paper up 1 cent to NZ$1.35, while Building dropped 4 cents to NZ$2.94. Energy fell 1 cent to NZ$3.25 and Forests stayed on 76 cents.

TOYS AND GAMES STRONG INTERNET TRADING COULD OFFSET DISAPPOINTING CHRISTMAS SALES

eToys aims to raise $115m in IPO

By John Labate in New York

The toy and game industry came under the spotlight yesterday as eToys, the fast-growing online retailer, filed with US regulators for an initial public offering.

eToys, which is based in California, expected the deal to raise $115m, but offered few details about the structure of the offering or when it planned to list.

The IPO, which had been widely expected, has drawn the attention of leading underwriters, including Goldman Sachs and Banc Boston Robertson Stephens.

Although the toys and games sector suffered a disappointing holiday sales season, the internet is considered a viable channel for retailers and manufacturers in the hotly competitive sector and eToys has proved a strong contender for the growing online audience.

According to yesterday's filing, eToys' revenues for the fourth quarter of 1998 reached $22.9m, up from $500,000 the year before, when the company launched its web site.

The company said it had sold toys, games and software to 320,000 customers.

"In the broader scheme of the toy industry, [the eToys IPO] is a pretty small development. However, it could be very important, since the toy category would appear to lend itself to a certain amount of e-commerce," said Ursula Moran, analyst at Sanford C. Bernstein in New York.

The main risk, she added, was the substantial price competition that online commerce faces.

Analysts said the online portion of children's toys and games remained small, at perhaps only 1 per cent of the industry's total estimated annual sales of $30bn-$35bn.

However, the delivery and selection services offered by internet-based retailers are expected to draw an ever larger audience of PC-based consumers, especially those who have been frustrated by long lines and low inventories of traditional retailing companies.

Traditional retailers, such as Toys R Us and Wal-Mart, have already entered the internet market with their own websites, but a greater threat to internet-based rivals such as eToys may come from the toy manufacturers themselves, including Mattel.

"I wouldn't think the manufacturers would stand for eToys to undercut them," said Margaret Whitfield, toy analyst at Tucker Anthony.

Mattel, which recently announced the acquisition of The Learning Company, is expected to launch its own website, aimed at high-end and customised children's toys, during the second half of this year.

Starwood to increase hotels

By Elizabeth Robinson

Starwood Hotels, the US hotels and casino operator, aims to increase its hotel portfolio by 45 per cent within three years to more than 1,000 properties.

The company will spend $800m on renovating its hotels this year, on top of the $2.3bn spent since 1995. The company expects to expand aggressively in Europe, where it operates 108 hotels.

"We will participate in the industry's consolidation," said Juergen Bartels, chief executive of Starwood's hotel division, whose brands include Westin and Sheraton.

US hotel companies are seeking to bring their brand power to Europe to benefit from marketing and purchasing synergies. While about 69 per cent of US hotels are affiliated to brands, less than one-quarter of hotels in Europe are branded.

Ladbroke, which operates the Hilton brand outside the US, last week agreed to buy Stakis for £1.5bn ($2.44bn), giving it 90 Hilton hotels in the UK – a move industry observers said was the start of greater consolidation in the UK and Europe.

Mr Bartels sees the UK as particularly ripe for acquisitions. "If we couldn't double in three years, we would be very disappointed," he said. The company operates eight hotels in the UK, including the Turnberry hotel and golf resort in Scotland.

Mr Bartels called the $800m renovation on the 223 hotels that Starwood owns or operates as joint ventures a long-term strategy. Of that, some $200m was "our natural and needed spending level". He expected the owners of the remaining Starwood hotels, which operate as franchises or management contracts, to match the total figure on a hotel-by-hotel basis.

Starwood, which bought ITT Corporation in 1997 for $10.2bn, abandoned its "paired share" real estate investment trust (reit) status earlier this year, turning itself into a conventional company with a reit subsidiary.

Lehman buys controlling OCI stake

By Norma Cohen,
Property Correspondent

Lehman Brothers, the US investment bank, has purchased a majority stake in Outlet Centres International, a company developing US-style discount shopping centres in Europe.

Lehman declined to disclose the value of its investment. However, OCI said its portfolio consisted of three centres providing 400,000 sq ft of retail space with an estimated market value of about £150m ($245m).

The company intends to open its first centre, at Gretna Green, Scotland, this spring. It plans to open a second, near Stockholm's Arlanda airport, this autumn and planning permission has been obtained for a further centre on the site of a former Nato airbase in Zweibrucken, Germany.

Wilson Lee, head of the European real estate principal transactions group at Lehman, said: "We believe this business sector has tremendous potential to repeat the growth seen in the US and the UK."

The move comes amid growing price-sensitivity among European shoppers who are eager to purchase top-quality goods at lower prices. Factory outlet centres have been a fixture in US retailing for 20 years and are welcomed by manufacturers who see them as outlets for end-of-season goods.

Hans Dobke, chief executive of OCI, said that European shoppers have long been price conscious, but have been unable to buy quality goods at discounts because of extensive lobbying by full-price retailers.

Tough restrictions on out-of-town retailing centres had delayed construction of new centres and manufacturers had been unwilling to support in-town centres for fear of "cannibalising" their existing franchises, Mr Dobke said.

Factory outlet centres first appeared in the UK in the early 1990s and more recently on the Continent.

Talk of AOL link lifts eBay shares

By Roger Taylor
in San Francisco

Shares in eBay, the internet auction business, jumped in early New York trading yesterday on reports that the company was in talks with America Online, the largest provider of internet services in the US.

The shares initially rose 6 per cent following a Wall Street Journal report that AOL was considering taking small stake in eBay.

However by mid-afternoon the stock drifted back to $235⅝, a 2 per cent increase on its opening price.

AOL declined to confirm the talks but said it was constantly in discussions with a large number of internet companies.

eBay was unavailable for comment.

AOL has links to a large number of internet auction businesses, including uBid, Onsale and bid.com, the Canadian online auction service.

However eBay has entered into a $11m deal with AOL under which it gets exclusive promotion in some parts of the site.

Any further link up between eBay and AOL could see an AOL branded version of the eBay system established for AOL users.

eBay's internet site allows private individuals to auction goods to each other across the internet.

Shares in the company have jumped more than tenfold since it came to the stock market last year.

● Bid.Com is hoping to capitalise on US investors' enthusiasm for US internet stocks by seeking a listing on Nasdaq, writes Edward Alden in Toronto.

The company has already been among the most heavily traded stocks on the Toronto Stock Exchange.

Small-town broker takes a plunge in global waters

Expansion forced by cross-selling in industry, writes **Nikki Tait**

Michael Porter, the Harvard Business School professor and competition guru, is speaking to a couple of hundred brokers in suburban St Louis. His central message is: position your business to be different and don't try to make it all things to all men.

Edward Jones, the brokers' employer, hardly needs encouragement. One of the few remaining partnerships in the US financial services sector, it has made a lucrative business out of selling stocks and mutual funds through one-man offices in small-town America for decades.

The firm now has more than 3,900 outlets in the US, surpassing Merrill Lynch in terms of store-fronts. Unabashed, Jones boasts that many are in places few Americans could find on a map – Bardstown, Kentucky, say, or Thief River Falls, Minnesota.

Apart from a hiccup in 1994, net profits have risen consistently over the past decade. In the first nine months of 1998, Jones made revenues of more than $1bn, mainly from commissions. That was a fourfold increase over 1990.

But domestic challenges are mounting. The brokerage has no proprietary funds, and generates only minor investment banking income by handling bond or stock issues for client portfolios.

That, in turn, has encouraged the St Louis-based firm to consider exporting its plain-vanilla business model. Jones ventured into Canada in 1994, and last year began to open offices in the UK.

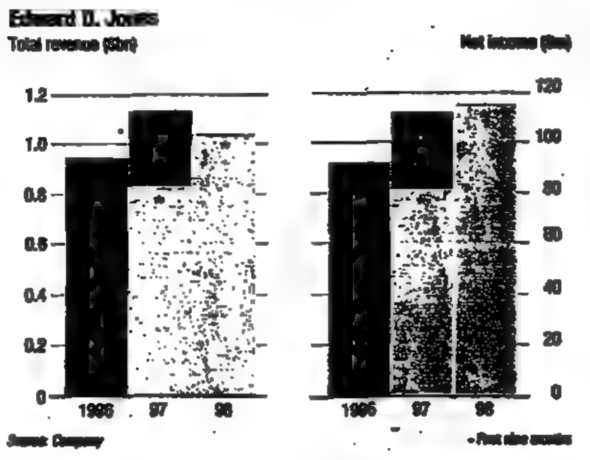
Now, the talk is of more than doubling the UK presence to 100 outlets by the year-end and expanding into other European countries shortly afterwards. "Certainly, in 2000, we'll have [offices in] Ireland," says Allan Anderson, the partner leading the European push. Another mooted destination is the Netherlands, although Mr Anderson says the size of the German market is also attractive.

Perhaps surprisingly, the spur for this unlikely "internationalisation" is not the encroachment of internet-based share trading. In the US, Jones's customers are typically around retirement age and hold their investments for 18 years – hardly the stuff of cyber-trading.

Rather, Jones's challenge results from the consolidation in US financial services. "The reason growth is critical is that the securities industry and banking have converged," says John Bachmann, Jones's managing partner. "Our competition is now the large 'super-regional' national banks."

Organisations such as BankAmerica, he points out, have thousands of locations, coast to coast, with enormous potential economies. "For us to retain our independence, we have to keep pace. We have configured ourselves differently – there's no one for us to acquire or merge with, so it becomes essential for us to train and grow our own."

However, moving overseas is no easy solution. On the plus side, Jones claims that the UK experience has demonstrated a basic similarity in the demand for investment services. It also argues that ageing European populations, and the desire by governments to encourage individual savings and investment, augurs well. "The UK market is 30-40 years behind the US, but it will catch up in the next decade. And you'll see something similar in Europe," predicts Mr Bachmann.



But 12 months in the UK have also highlighted differences. Jones lost a quarter of the first 80-odd would-be investment representatives it hired during training.

But perhaps the biggest challenge comes from the nature of the savings and investment markets themselves. "More money in the UK goes into insurance products . . . and people don't buy fixed-income products," says Mr Anderson. "There's a predisposition on the part of the British citizen to buy insurance products. In a socialist kind of environment that's not unusual. It's a very risk-averse place to be."

Jones points out this is not necessarily disadvantageous, since commission on insurance-based products is often higher. But Mr Anderson does express some frustration over the less systematic commission arrangements in the UK and says the firm is trying to persuade its investment providers to agree to some fixed fee arrangements.

He also yearns to be able to sell US-style fixed income products, such as certificates of deposit. "We're looking to talk to ABN-Amro about distributing a manufactured product in the UK," he says. "For me to go to a UK customer and say 'we can sell this unit trust but we can also sell you a certificate paying 5 per cent' would be very nice."

Moving to continental Europe could add another layer of complication – although Jones is pinning hopes on the growth of common, euro-based investment products to simplify the task. "Today, I expect the Dutch will probably want to own a Dutch unit trust, but in three years, it could be a euro unit trust," says Mr Anderson.

NEWS DIGEST

TELECOMMUNICATIONS

AT&T investors approve Tele-Communications buy

AT&T shareholders yesterday approved the long-distance telecommunications group's $48bn purchase of cable television company Tele-Communications. The shareholder approval removes another hurdle for the planned deal, which is expected to close shortly once it receives clearance from the Federal Communications Commission. AT&T, the leading US long-distance company, said about 99 per cent of the shares that were voted approved the merger.

Shareholders in TCI, the second-largest US cable television company, were due to vote on the deal at a separate meeting in Englewood, Colorado. The combined company will offer long distance, cellular phone service, cable television and high-speed internet access. AT&T also plans to provide local telephone service over TCI's cable television wires instead of traditional copper phone lines.

The deal, announced in June, received the blessing of the US Department of Justice but still faces scrutiny from the FCC, a few municipalities and the state of California. The FCC is expected to back the deal without requiring the companies to meet certain concessions sought by their rivals. **Reuters, New York**

TELECOMS EQUIPMENT

Lucent plans stock split

Lucent, the world's largest maker of telecommunications equipment, said yesterday its board approved a two-for-one stock split – the second in 12 months. The company will issue the additional shares on April 1 to shareholders of record on March 5. Lucent had about 1.32bn common shares outstanding as at January 31, and about 3m shareholders, making it the second most-widely held US stock behind AT&T, its former parent. Lucent shares gained $1 to $99 in heavy trading on the New York Stock Exchange early yesterday. The stock split had been widely rumoured as its shares have surged about 110 per cent over the past 12 months. **Reuters, New York**

COMPANIES & FINANCE: UK

Electra's plan to restructure dismays 3i

By Katharine Campbell

Electra Investment Trust yesterday unveiled reconstruction plans that immediately drew fire from rival venture capitalist 3i, which saw its indicative offer of 705p rebuffed last month.

Institutional shareholders also expressed unease at whether the plans would succeed in narrowing the trust's persistent discount, although its share price rose 10½p to 685p.

Michael Stoddart, EIT's chairman, proposed an initial buy-back of up to 40 per cent of Electra's shares via a tender offer on terms to be announced on March 11 – after the Budget, to take into account any changes in capital gains tax. That would be based on a net asset value of the trust at February 28. The offer is to be financed with a £750m facility from National Westminster Bank and JP Morgan. Analysts said the new NAV could be significantly more than 750p.

The trust would make no new investments, while Electra Fleming, the management company, would realise existing assets, a process that would be "substantially complete" within five years, according to Mr Stoddart.

Electra also confirmed it had received "preliminary proposals" from other parties.

A person close to 3i said: "We are astonished Electra has dismissed so quickly 3i's indicative offer. They must have a high degree of confidence in introducing a third party because the proposed reconstruction doesn't suggest a value proposition for shareholders as attractive as 3i's proposal." He added 3i would have a "very full discussion" of all its options, which include the possibility of a hostile bid.

Jonathan Dawson at Lazard Brothers, advisers to Electra, hit back at 3i's negotiating tactics. "They have given us four different numbers of which the last, at 705p, was not the highest. It is very difficult to see how they could get anywhere near [the level that could be realised for shareholders under the proposals]".

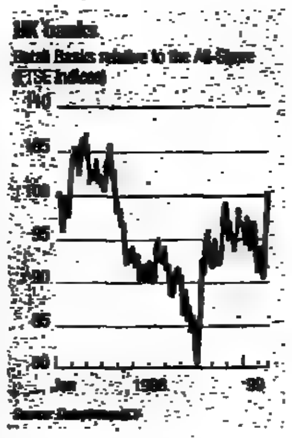
Institutional investors criticised the idea of adding significant levels of debt to a portfolio that already consists mainly of leveraged buy-outs. One said: "Institutional shareholders want Electra to do a deal with 3i or a third party at the highest price over 700p. This is a ludicrous scheme."

The trust would not necessarily be completely liquidated in five years, Mr Stoddart said.

Electra Fleming officials today meet Clayton, Dubilier & Rice of the US, which has expressed an interest in buying the management company. But observers questioned why it should pay much when its main client was being wound up.

COMMENT

UK bank ratings



First Lloyds TSB, then Barclays. Banks have been giving their shareholders a pleasant surprise this reporting season. The good news is that domestic bad debts are barely increasing despite a slowing economy. Although this largely reflects a gentler than expected slowdown – pace yesterday's surprise fall in UK unemployment – it is still welcome. It also raises a question: should investors rerate bank shares? These have traditionally traded on a p/e discount to the market because of the volatility of bank profits. With more stability, ratings should rise.

This is logical but may not lead to higher share prices, mainly because bank profits are under pressure. Low interest rates are squeezing margin between borrowing and lending rates, on which banks depend for 60 per cent of earnings. Retail banking competition is hotting up. Investors should concentrate on the price/book ratio, which reflects the return on equity achieved compared with the cost of equity. This is saying bank profitability is set to fall. Take Lloyds, which made a 32 per cent return on equity last year. Assuming a perpetuity growth rate of 6 per cent and 9 per cent cost of equity, Lloyds would be on a price/book ratio of 8.5 if investors thought such returns replicable in future. In fact, it trades on seven times book, implying a fall to 25 per cent. The market's caution seems justified. Unless such figures prompt consolidation, investors should not bid up the sector.

Electra Investment Trust

Electra's board huffed and puffed to some effect at yesterday's annual meeting. There was no new figure for net asset value and no white knight was named. Yet shareholders have been reassured that there are some bidders out there who might offer more than the 700p or so mooted by 3i. And the tender offer to buy back up to 40 per cent of the equity should also be priced above that floor. But shareholders are faced with quite a risky prospect. Although the gains from realisation will be spread across a far smaller equity base, there is obvious uncertainty. At worst a rump of shareholders will eventually be left with a rump of difficult-to-sell assets. But once Electra finally comes up with a new net asset value of, say 750p a share, the game will really be on to secure a bid at around that level.

Danka discloses $236m charge

By Susanna Voyle

Danka Business Systems, the troubled photocopier supplier, last night surprised the market with news of a $236.2m restructuring charge which pushed third quarter losses to $320.8m and will lead to 1,400 job losses.

The results announcement was expected on Friday. However, the group – which is listed in London and on Nasdaq – issued the figures from its Florida headquarters to the US markets. Figures prepared to UK accounting standards will be released today.

US lawyers to Danka advised the group, which is 80 per cent owned by US shareholders, that it had to release the figures to the market after a day of talks with banks. By the time that decision had been made the London market had closed.

Danka has struggled since it bought Eastman Kodak's photocopier distribution business for $438m two years ago. In November the group warned that it might be forced to seek protection under Chapter 11 of the US bankruptcy code. In October Danka submitted to strict conditions from its banks to avoid breaching loan covenants. Yesterday the group said it had asked its 30-strong banking syndicate to extend the credit agreement – due to run out at the end of this month – for an extra 180 days.

Danka also announced that Larry Switzer, who became interim chief executive in October, would formally lead the group.

Turnover in the three months to December 31 fell from $834.2m to $723.9m. It said the results were hit by lower retail equipment sales and lower service, supplies and rental revenues.

Woolwich securitisation move with US link-up

By Christopher Brown-Humes

Woolwich, the building society-turned-bank, paved the way for securitising some of its mortgages yesterday by unveiling a joint venture with a leading US lender. It said the link with Countrywide Credit Industries would give it access to sophisticated loan processing technology that would cut costs and improve customer service.

The service would also be offered – for a fee – to other UK mortgage lenders, Woolwich's competitors, and expanded into Europe.

Woolwich also announced a jump in underlying pre-tax profits from £455.7m to £505.1m ($828.3m), beating expectations, and said it would return £236m to shareholders via a 15p special dividend. The bank said the Countrywide link would cut costs and position it for any industry shift to securitisation – a process that involves packaging mortgages into bundles and selling bonds backed by the income from them. In the US, about half of all mortgages are securitised.

John Stewart, Woolwich chief executive, said: "We will have the facility to securitise later this year".

Analysts have warned securitisation could cut margins and lead to a full-blown price war, but they were positive about the Woolwich venture.

Upbeat WPP advances

By Richard Tomkins

WPP, the marketing and advertising group that owns the J Walter Thompson and Ogilvy & Mather agencies, yesterday reported a 20 per cent jump in pre-tax profits for 1998 and delivered an upbeat message in the face of recessionary fears.

On revenue up 10 per cent to £1.92bn ($3.12bn), pre-tax profits rose from £177m to £213m.

Despite economic upsets in Asia Pacific and Latin America, worldwide communications industry revenues rose 5-6 per cent last year, and WPP – the world's biggest advertising group after Omnicom – grew faster still by increasing market share.

Operating margins before incentive payments of £58m rose from 15 to 15.8 per cent.

Martin Sorrell, chief executive, said early indications pointed to a 4-5 per cent growth in worldwide communications industry revenues this year, only a little below last year's level.

Factors countering the possibility of a downturn, he said, included the build-up to the Sydney 2000 Olympics and the US presidential election.

WPP warned network television broadcasters they were in danger of pricing themselves out of the market by charging advertisers ever higher prices.

Chesapeake wins battle for Field

Shorewood Packaging yesterday conceded defeat in its battle with its fellow US company, Chesapeake, for Field Group, and withdrew its offer, writes Virginia Marsh.

Last Friday Chesapeake, which had initially bid 320p a share for the UK packaging group, lifted its offer to 360p a share. That valued Field, which has about £30m in debt, at £218m ($355m). The move by Chesapeake came two days after Shorewood launched a rival offer at 350p. Field had recommended all three offers.

Shorewood was advised by Bear Stearns; Field by ING Barings and Chesapeake by DLJ.

Royal Sun bid for Tyndall Australia

By Gwen Robinson in Sydney and Terry Hall in New Zealand

Royal & Sun Alliance, the UK insurer, has bid A$738m ($478m) for Tyndall Australia, an insurance and fund management group.

Tyndall is 50.3 per cent owned by Guinness Peat Group, the investment company controlled by Sir Ron Brierley, the New Zealand entrepreneur.

The combined life risk business of Tyndall and Royal & Sun's Australasian operations would make the merged entity the region's fourth largest, with market share of about 10 per cent.

The cash bid of A$2.80 a share was recommended by Tyndall's board, but its share price rose nearly 12 per cent to A$2.97, indicating hopes of an increased offer or the emergence of a rival bid, analysts said.

The offer represents a 16 per cent premium to Tyndall's weighted average share price over the past three months. Royal & Sun said it was priced at 2.7 times net tangible assets and at a s multiple of 22.6 times last year's earnings.

But analysts said the price was on the low side.

Royal & Sun's bid is complicated by its agreement with GPG to acquire 25m of GPG's shares in Tyndall for A$2.80 each, subject to the bid becoming unconditional.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends				
								Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Carpets	6 mths to Dec 26	136.8	(139.8)	0.059♠	(9.51)	0.05	(7.25)	0.5	May 10	2.75	-	7.75
Allied Irish Banks‡	Yr to Dec 31	-	(-)	826♥	(580♥)	[illegible]	(48)	14	Mar 31	10.6	[illegible]	17.7
BP Amoco $	Yr to Dec 31 ★	83,732	(108,564)	4,843♥	(6,247♥)	34	(63)	10	Apr 6	-	-	-
Dobbies Garden Φ	Yr to Oct 31	11.1	(9.49)	[illegible]	(1.02)	18.27†	(17.22)	3.35	Apr 1	3	5	4.5
Freeport Leisure	6 mths to Dec 26	4.08	(3.79)	3.08	(1.41)	8.16†	(4.61)	-	-	-	-	1
Future Integrated Φ	6 mths to Nov 30 ★	3.46	(4.47)	0.976L♠	(0.28L♠)	8.79L	(2.29L)	-	-	-	-	-
Golden Vale €	Yr to Dec 31	736	(716.8)	2.48♠	(20.5♥)	1.14L	(10.41)	2.51	May 17	-	3.53	[illegible]
Loftus Road Φ	6 mths to Nov 30	2.81	(4.31)	3.87L	(3.67L)	9.7L	(9.21)	-	-	-	-	-
Milner Estates	6 mths to Nov 30	22.6	(19.2)	3.45♠	(2.75♠)	5.81†	(10)	1.421	Apr 6	1.386	-	5.31
Raflec Φ	6 mths to Oct 31 ★	9.863	(0.921)	0.163L	(4.49L)	0.61†	(43.1)	nil	-	nil	nil	nil
Trace Computers	6 mths to Nov 30	8.88	(7.17)	0.928	(0.409)	4.47	(2.18)	nil	-	nil	nil	nil
Woolwich	Yr to Dec 31	-	(-)	495.9♠	(402.4♠)	20.6	(15.6)	7.1§	May 10	6.5	10.6	9.5
WPP	Yr to Dec 31 ★	1,918	(1,747)	212.8	(177.4)	19.1	(15.8)	1.72	July 12	1.43	2.56	2.13
Zeneca	Yr to Dec 31	5,610	(5,194)	1,045♠	(1,081)	75.2	(77)	28	Apr 26	25	42	38.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Anglo & Overseas	Yr to Dec 31	797.7	(698.7)	10.7	(12.7)	9.38	(11.12)	8.8	Apr 29	8.5	10.8¥	10.5¥
Rights and Issues	Yr to Dec 31	1,189	(1,075)	0.899	(0.841)	20.8	(23.7)	14	Mar 31	11	18.25	15.5ǂ

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ‡Irish currency. $US currency. ★Comparatives restated. †On increased capital. ΦAim stock. €Euros. §Special of 15p (8.5p) also proposed. ¥Includes foreign income dividend element. ǂExcludes special.

TECHNOLOGY COMMERCIAL SCIENCE

Shooting for the stars

Jim Benson is a man with a mission: to design, build and launch rockets into the atmosphere – for profit. **James Pickford** reports

American entrepreneurs are rarely noted for the conservatism of their ambitions yet, at first sight, Jim Benson, founder and chief executive of commercial space exploration company SpaceDev, would appear to have bitten off considerably more than he can chew.

He aims to design, build and launch into deep space a series of rockets – with no government subsidy and with the promise to his shareholders of a healthy profit at the end of each mission.

The first is scheduled for April 2001. Benson plans to launch an unmanned spacecraft that will carry scientific instruments to a near-Earth, stony-metallic asteroid called 4660 Nereus. It will be the first private mission to leave Earth orbit and the instruments it carries will send back valuable scientific data; when that arrives, he hopes, so will SpaceDev's revenue.

The business case is surprisingly simple: scientists around the world, who normally lobby Nasa, the European Space Agency (ESA) and other national space agencies to run missions to carry their instruments into deep space, could use their government and institutional funds to hitch a cheaper ride with SpaceDev's launch vehicle.

For instance, the current Nasa Near Earth Asteroid Rendezvous mission to a nearby asteroid is costing the US taxpayer $245m (£150m) and carries five scientific instruments. Any private mission that can retrieve data of a similar quality for less than $50m per set is, therefore, highly attractive to those scientists and their funding bodies.

"From a business point of view I've only identified an existing opportunity beyond Earth orbit," says Mr Benson. "We'll be tapping into a market for space science data that is already worth $1bn or $2bn a year."

But SpaceDev's prices for accommodating an instrument (published at *www.spacedev.com*), range from $10m to $15m. How can Benson claim to undercut Nasa's costs by such a wide margin?

First, by sidestepping the tortuous bureaucratic procedures that push up the costs of any Nasa-run programme.

"Every piece of technology in a government programme has to be documented all the way back to the assembly line," he explains. "You can have two or three cartons of paper for every little subsystem on the spacecraft. We don't need to do that – we can buy proven, off-the-shelf components that are good enough to get the job done and good enough to be insured."

Second, the existing, well developed market in commercial satellite launches enables SpaceDev to buy inexpensive launch vehicles that are proven and reliable (and, therefore, insurable).

Third, Mr Benson has recruited experienced engineers from Nasa itself and Amsat (the Amateur Satellite Organisation), a 30-year-old organisation of volunteers that has successfully launched more than 20 satellites built in technicians' backyards.

"We are using existing off-the-shelf components, we are using commercial launch vehicles that are fully insured, thereby minimising the risk, and we are employing experienced people who have built one or more successful deep-space science missions," Mr Benson remarks.

"It doesn't require any new breakthroughs, new technology or huge R&D expenditure, despite the fact that our first project is something no one else has done."

The size of the project would seem to call for a lifetime's experience in the space industry, yet the 53-year-old Mr Benson spent the first 30 years of his working life as an entrepreneur in the computer industry. One of his start-ups, Compusearch, marketed an early text search and retrieval programme of his own making. A second, ImageFast, sold an advanced Windows-based document scanning and management system.

'I keep hammering it home to everyone: space is a place, not a government programme'

In 1995 he sold both companies and retired to the mountains of Colorado. "After six months of my retirement I was bored," he recalls. "So I decided to go back to business. The internet was beginning to hot up but it just didn't inspire me. On the other hand, I have been fascinated by science, astronomy and technology all my life and that led to the idea of space commercialisation."

Mr Benson comes across as modest, articulate and, above all, sensible – a quality that is undoubtedly to his advantage, as he admits that sceptics inside and outside the space community have not been easy to convince. The perception that space exploration is a public responsibility, not to mention a drain on public funds, is difficult to dislodge. "I keep hammering it home to everyone: space is a place, not a government programme."

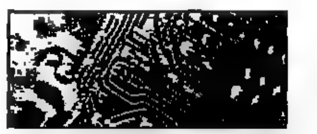
Enthusiastic support from Nasa, however, has strengthened his hand considerably. Its influential head, Dan Goldin, has even allocated some of Nasa's "private enterprise" fund to a competitive process so university scientists can seek funding to meet SpaceDev's prices.

Eventually, says Mr Benson, scientists should be able to look at a catalogue of deep-space missions from private companies, such as SpaceDev, and choose the most appropriate one for their instrument. "The scientific community, generally, is fairly conservative but once the scientists realise what we're doing it's like a lightbulb going off above their heads. Scientists should not be forced to design missions and spacecraft, they should be allowed to be scientists."

While Mr Benson's sales patter is characterised by a rigorous sense of business realities, he occasionally betrays the fervour of the true space enthusiast. "I have my finger on the pulse of the entrepreneurial space community and I truly do believe that we're on the brink of a revolution in space commercialisation," he says.

"Twenty years ago, when I worked in the computer industry, I saw exactly what was coming in the microcomputer market but I wasn't in an economic position to take advantage of it. Now I am, I'm not going to let it pass me by."

A longer interview with Jim Benson can be found at www.ftmastering.com/benson.html



TECHNOLOGY WORTH WATCHING

Fast-growing kelp provides a rich export harvest

On the face of it, the forests of giant, dark-green kelp that fringe South Africa's west coast do not seem particularly useful, *writes Victor Mallet in Cape Town*.

But kelp is a type of seaweed, which has an increasing number of commercial applications in cosmetics, health food and agriculture. A small South African company based in Simon's Town, the naval base near Cape Town, is using a patented technique to extract the growth stimulants in kelp for export to agricultural markets around the world.

Kelp Products says its method of bursting the kelp cells without heat, chemicals, freezing or dehydration allows it to release auxins and cytokinins – plant growth hormones – without damaging them. The result is a clear green liquid marketed as Kelpak, which is said to enhance root development, help plants absorb nutrients, promote plant health and increase crop yields.

The cells of the giant kelp Ecklonia maxima are burst by first putting them under extreme pressure at between 11,000 and 12,000 pounds per sq in and then releasing the pressure. But the key to the patented mechanism is that it removes the extraneous air and water that would preclude the bursting of the cells.

Kelp Products, an unlisted company which is worth about R40m, also has a traditional seaweed business. Kelp is collected from the shore and dried and milled for use in the international alginate industry, which produces binding agents for everything from cloth dyes to pharmaceutical products.

But it is Kelpak, more than half of which is exported, that has been behind rapid turnover growth of more than 25 per cent a year over the past decade, says Peter Friedmann, managing director.

The product needs fresh kelp, which is nourished on the south-west coast of Africa by the cold Benguela current. Kelp is one of the world's fastest growing organisms and within two years can be reharvested at the same location.

Kelp Products has begun to use its technology in new lines of business. It makes a product called Earthbound – a white liquid used for binding seeds to earth embankments that need to be stabilised – by putting starches through its cellburst *method*.

Nanobubblepack bursts into life

A novel type of porous material – "nanobubblepack" – has been developed at Penn State Eberly College of Science. Highly versatile, it is easy to make from a wide variety of materials.

The researchers made a mould using silica spheres, which were just 35 nanometers in diameter, according to a report in the journal Science. They poured in a *liquid monomer* – the chemical precursor of a polymer – which was processed to create a solid polymer, after which the silica spheres were chemically dissolved. The result was an ordered arrangement of spherical chambers connected by channels, which makes the material highly porous.

Penn State Eberly College of Science: US, tel 8148639637; http://www.science.psu.edu/

Maths on mines

A mathematical tool is being developed to help spot landmines from aerial pictures.

The Johns Hopkins University in the US has developed a series of complex mathematical steps that allow a computer to distinguish mines from other dark spots on the picture, such as rocks and trees. The system depends on differences in the way that rocks and vegetation reflect light. Early tests suggest a 95 per cent success rate in finding devices placed above ground.

Johns Hopkins University: tel 410 516 7160; e-mail prs@jhu.edu

Computing emotion

Computerised speech tends to sound monotonous. But US researchers have developed a computerised voice thatcan convey emotional states, including anger, sadness and *fear*.

The research at the University of Florida found that the emotions expressed in human speech were governed by factors such as pitch, volume, accent, vowel length and speed. Researchers developed a program that manipulated these factors for use in a commercially available speech synthesiser.

University of Florida: US, tel 3523920186; e-mail ahoover@ufl.edu

Ceramic syringe

Squeezing a ceramic slurry through a computer-controlled, robotic syringe recently developed at Sandia National Laboratories at Albuquerque, New Mexico, could benefit the ceramics industry, *writes Tom Mead*.

Ceramics are widely used in aircraft, household appliances, computers, medical equipment and automobiles. In the process called Robocasting, a water and ceramic-powder slurry is forced through a software-controlled syringe. Layers of the slurry are precisely deposited on a heated, mobile base, building up the ceramic part layer by layer.

The tool and process has the potential for making complex ceramic parts that can not be handled by existing methods.

http://www.sandia.gov/media/robocast.htm

Vanessa Houlder

GROWING BUSINESS LOSMA

Cleaning up with sale or return

Peter Marsh reports on an Italian manufacturer of pollution control systems which is using an unconventional method of marketing to gain a foothold in the US market

Marketing products on a *sale or return basis is a* strategy well known in the newspaper business – but less so in the world of high-value industrial equipment.

It is a technique that Losma, an Italian maker of pollution control systems, has developed for stepping up its sales in the US, the world's biggest market for such machinery.

Losma is one of a handful of companies worldwide that produce the specialised filters used to remove oil and other pollutants from the air around machine tools. The oil is used as a lubricant and cooling medium during the metal cutting process.

Increasingly tough environmental standards have pushed the market for these fan-based filters – which cost up to $10,000 – to an estimated $70m a year during the 1990s.

When Losma, which was started 25 years ago by Giancarlo Losma, its owner and managing director, began efforts to expand outside its domestic market in 1990, it hit on the sale or return route as a way to build up a presence.

The efforts recently paid off with a $200,000 order from Huck International, a Californian company *that makes aerospace fas*teners, and which bought the equipment after previously trying it out on a "free" basis.

The strategy illustrates the techniques that growing companies may have to adopt to break into unfamiliar export markets.

Losma, based near Bergamo in northern Italy, latched on to the sale or return idea after seeing it in operation at Filtermist, a UK company that is about the same size and occupies a similar posi*tion in the world business for* this kind of equipment. Each is estimated to account for about 10 per cent of the market, with the US dominated by a bigger competitor in the shape of Aercology, part of Donaldson, a Minneapolis-based industrial company.

"The sale or return technique can be a risk but it's a way of introducing ourselves to customers and demonstrating that we have faith in the product," says Mr Losma. "We find that 98 per *cent of the companies that try* out the equipment on this basis decide to buy it."

Helped by the success with Huck, which is part of Cordant Technologies, a US aerospace concern, Losma gained US sales last year of L800m (about $500,000), out of total revenues of L12.5bn.

It hopes to increase sales in this part of the world fourfold by 2000, as part of a strategy to develop the company as a whole to sales of some L40bn by 2003, of which only about a third would come from customers based in Italy. Of last year's revenues, just less than half came from exports – with the most important markets being Germany and the UK.

Losma's efforts to expand in the US are supported by a New Jersey-based group called the Italian Technology Association. This is a joint marketing effort for 15 Italian companies, mainly in machine tools and related technologies, which Mr Losma helped set up in 1992 as a way to reduce the costs of launching a US presence.

The association has about 20 staff handling sales and service activities on behalf of all the members and is due to expand this year to about 35, partly as a result of the opening of a second office near Chicago this year.

Further ahead, Mr Losma, who before starting his company was a machinery salesman, is looking to adapt the filter-based technology behind his equipment so that it can clean up other pollutants in factories – for example metal particulates that enter the atmosphere during metal cutting operations. Another idea is to use the basic air-cleaning principles to remove odours and other chemicals from the air in food-processing factories.

In common with other bosses in charge of growing businesses, Mr Losma has developed the 40-strong company mainly through his own efforts and is now looking to spread the management burden. "Up to now I have made all the decisions but this will have to change if I am to achieve my goals for growth," he says.

He recently recruited a technical director and is seeking two more people in the next few months who can take on the roles of directors in charge of finance and sales – jobs that would enable Mr Losma to stand back a little and concentrate on some of the more strategic aspects of running the company.

Giancarlo Losma: building up a presence through sale or return

JOHN KAY

A takeover that missed the marque

BMW is in a pickle over Rover because it has lost sight of the industrial logic which established it as a remarkable post-war success

The history of BMW is as chequered as its blue-and-white badge. Blue and white are the colours of the state of Bavaria, where the company was founded more than 80 years ago. For the first half of its life, BMW was mainly a manufacturer of aircraft engines. Its powerful motorbikes were also sought after and it ventured into cars by manufacturing Austin Sevens under licence.

To be Germany's leading aero-engine maker in 1945 was about as unfavourable a strategic position as any company has ever suffered. BMW's plight was still worse, since its main production facility, at Eisenach, was just over the border in the *Soviet occupation zone*.

The post-war recovery of German industry from the desolation of 1945 is still termed an economic miracle. There was no miracle for BMW, however. The company drifted, producing bubble cars (the Gogomobile) – not as much fun as those of its Italian rivals, – and limousines less stylish than those built by its German competitors.

In 1959 BMW, on the brink of bankruptcy, seemed destined to be absorbed by Mercedes-Benz. But after one of the longest and most extraordinary annual meetings in corporate history, Herbert Quandt emerged as BMW's dominant shareholder. The Quandt family still owns about half the stock.

BMW was planning its 1500 model when Quandt took control. Launched in 1962, the 1500 established a new segment in the car market: the quality production saloon. Positioned between the mass production car and the craftsman-built output of the luxury producers, it was a niche BMW was almost uniquely placed to fill. It drew on its ability to develop and use *technical skills* in a production line workforce – the source of competitive advantage for many German companies.

Over the next two decades, BMW developed this market and established the BMW brand with all the associations it retains today. It exemplifies two characteristics of powerful brands: quality certification and signalling. BMW cars have a reputation for build, reliability and low depreciation. And ownership of a BMW is a personal statement – more stylish than a Volkswagen, more raffish than a Mercedes-Benz.

BMW proved to be one of the great success stories in modern business history. What we learn from it is the foundation of all successful corporate strategy – the match between the organisation's distinctive capabilities and the market opportunities it faces. That was what BMW, after many false starts in the 20 years after the war, finally achieved.

BMW's competitive advantage was bound to come under pressure. The quality of its production line engineering *ceased to be a distinctive* capability not because it declined but because other producers emulated it. Part of BMW's success was the development of a more enduring source of competitive advantage, the brand, in the window of opportunity created by a more transitory source of competitive advantage, its engineering quality.

So what should BMW have done? Strategy means understanding your distinctive capabilities and identifying markets where they can be turned into competitive advantages. The company was right to consider a move back into aero-engines, which reflected its (German) engineering capabilities and, to a limited degree, exploited its brand.

It was right to plan its production facility in South Carolina because that developed the brand in America. While too early to judge these ventures, they have strategic coherence.

But instead of pursuing the logic of its historic success – matching market to competitive advantage – BMW became a victim of the bland clichés of management jargon. It announced it was a supplier of mobility, rather than a maker of cars, bikes and aero engines. There is a profound misunderstanding here. The relevant links between these products are not that they are all means of getting around but that they all use BMW's engineering skills and brand.

More seriously, it fell for conventional, but loose, ideas on the importance of size and scale:

- "BMW was too large to be a niche manufacturer, too small to be a volume producer" – as if failure to fit into the boxes of a consultant's slide presentation reflected a strategic problem.
- "BMW needed to achieve critical mass to be one of a handful of global players" – as if Rover itself had not demonstrated that size is no competitive advantage. And Bernd Pischetsrieder's plan for positioning Rover was to move it up market into a competitor for BMW itself. This strategy was doomed to fail.

A student of Herbert Quandt would doubtless ask how BMW's competitive advantages – the quality of the workforce in its production facilities (in Germany), the power of its brand – were to be effectively deployed in managing Rover? He would have concluded that they were not relevant if Rover was to go on producing in the UK and trade under its own marque. By pointing that out, he would have saved his teacher's family several billion marks.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

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EURO PRICES

EQUITIES

Falling prices bring oil stocks in focus

EUROPEAN OVERVIEW

By Khozem Merchant

Euro-zone markets remained cautious, taking their cue from Wall Street. But falling commodity prices brought oil stocks into sharp focus amid predictions that the outlook for the petroleum majors remains uncertain.

London Brent crude futures were trading below $10 a barrel for the first time since December, forced down by a global surplus of crude stocks. The International Petroleum Exchange's April Brent contract fell as low as $9.90 a barrel, just shy of a 12-year low of $9.55 recorded late last year. In late trade it clawed back to $10.

Some analysts were optimistic that even in the face of falling oil prices, the big oil producers would "weather the storm" because of their radical restructuring.

But others insisted restructuring would not be enough. "This is more than about restructuring; oil majors are facing significant margin erosion," said Mark Dennis at ABN Amro.

Oil giant BP Amoco announced final-quarter profits down from a year earlier but at the top end of forecasts. Its share price fell €2 to €12.23. Royal Dutch slipped again, falling €1.1 to €37.4.

"The uncertainty is likely to extend beyond commodities and hit all industrial cyclicals," said Mr Dennis. "The cyclicals are facing worsening industrial price expectations at a time the consumer will not necessarily accept higher prices."

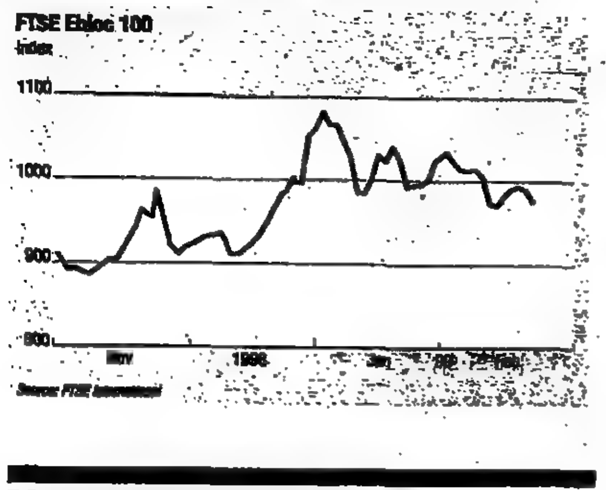
Defence stocks were active after the latest twist in the restructuring of the European defence sector. Aerospatiale received the go-ahead this week to merge with the Matra defence arm of the missile-to-media Lagardère group. Lagardère's share price slipped €1 to €37.48.

After the BAe and Marconi link-up, this latest realignment leaves Thomson-CSF, the French electronics group, even more isolated. Thomson's share price slipped 83 cents to €29.75.

The FTSE Eurotop 300 index of leading European shares ended 11.98 or 0.98 per cent lower at 1,197.51, while the FTSE Eurotop 100 index shed 28.08 to close at 2,747.64.

The FTSE Ebloc 100 index of shares in euro-zone companies also ended down 13.81, at 976.21. The oil and gas sector slipped 2.04 per cent while the mining sector fell 4.02 per cent.

FTSE Ebloc 100



Source: FTSE International

THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.975	96.985	+0.015	96.990	[illegible]	73266	144770
Jun	97.070	97.080	+0.015	97.085	97.055	48080	119760
Sep	97.110	97.110	+0.010	97.115	97.080	57321	72626
Dec	96.840	96.850	+0.015	96.860	96.810	27082	73586

THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.965	96.955	+0.015	[illegible]	96.965	48059	160802
Jun	97.085	97.080	+0.015	97.070	97.065	[illegible]	125742
Sep	97.100	97.110	+0.010	97.100	97.080	[illegible]	122027
Dec	96.840	96.850	+0.015	96.840	96.820	20116	98272

THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS				PUTS			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
96875								
97000	0.120	0.210	0.150	0.265	0.040	0.100	0.300	0.225
97125								
97250	0.030	0.100	0.075	0.130	0.200	0.240	0.475	0.360

Est. vol. total, Calls [illegible] Puts 21070. Previous day's open int., Calls 343228 Puts 178086

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2745.0	2750.0	-25.0	2750.0	2745.0	15	7360
Jun		2764.0	-25.0			0	1

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2600		2650		2700		2750		2800		2850		2900		2950	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Feb	190	6	114	19	72	13	49	30	17	67	7	107	3	164	2	204
Mar	219	57	174	70	146	87	111	108	86	132	[illegible]	161	46	194	38	220

[illegible] Premiums shown are based on settlement prices.

OTHER INDICES

	Feb 17	Feb 16	Feb 15	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3341.47	3382.10	3361.00	[illegible]	2423.07	[illegible]	2433.07
DJ Euro Stx 50	3393.04	3432.21	3414.87	[illegible]	2418.23	[illegible]	2418.23
MSCI Europe	(u)	1198.65	(u)	1315.97	906.58	1315.95	510.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Feb 17

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1197.51	-0.98	-11.98	2.29	0.81	1233.80
FTSE Eurotop 100	2747.64	-1.01	-28.08	2.32	1.97	985.65
FTSE Ebloc 100	976.21	-1.39	-13.81	2.15	0.39	991.31
FTSE EuroMid	1182.19	-0.57	-6.72	2.83	1.22	1228.23
FTSE EuroMid Ebloc	1183.40	-0.62	-7.38	2.33	1.36	1215.85
FTSE EuroMid Ex UK	1220.29	-0.49	-6.07	2.21	0.95	[illegible]
FTSE Eurotop 300 Regions						
Eurobloc	1234.07	-1.39	-18.15	2.09	0.89	1251.98
UK	1157.87	-0.87	-10.12	2.54	0.73	1216.51
Europe Ex-Eurobloc	1180.13	-0.65	-7.75	2.48	0.52	1222.89
Europe Ex-UK	1220.98	-1.05	-12.90	2.09	0.54	1244.31
FTSE Eurotop Industry Sectors						
RESOURCES	817.31	-2.13	-17.76	3.96	0.94	835.43
Mining	818.07	-4.02	-34.25	4.32	0.00	825.34
Oil & Gas	788.31	-2.04	-16.40	3.53	0.94	808.29
BASIC INDUSTRIES	1042.57	-0.81	-8.61	2.88	0.86	1068.05
Chemicals	808.85	-0.85	-6.87	2.81	0.66	819.50
Construction & Bld Matls	946.72	-0.44	-4.15	2.47	1.13	958.11
Forestry & Paper	864.41	-2.80	-24.94	4.46	0.09	903.98
GENERAL INDUSTRIALS	1102.38	-0.87	-9.72	2.45	1.64	1128.86
Aerospace & Defence	804.26	-0.81	-6.58	2.64	0.00	815.47
Diversified Industrials	965.77	-0.94	-9.12	2.10	0.00	987.86
Electronic & Elect Equip	1000.39	-0.29	-2.92	1.86	1.50	1007.38
Engineering & Machinery	970.67	-1.36	-13.33	3.74	1.05	995.93
CYCLICAL CONS GOODS	1295.67	-1.25	-16.38	2.37	0.00	1331.53
Automobiles	958.47	-1.24	-12.08	2.42	0.00	967.38
Household Goods & Texts	1192.43	-1.27	-15.31	2.15	0.00	1303.46
NON-CYC CONS GOODS	1211.68	-0.69	-8.41	1.50	0.05	1245.07
Beverages	995.60	-0.92	-7.47	2.90	0.00	928.11
Food Producers & Process	918.10	+0.65	+5.90	1.98	0.60	925.87
Health	839.18	+0.14	+1.18	0.97	0.00	851.73
Packaging	780.00	-0.33	-2.60	1.16	0.86	780.97
Personal Care & Hse Prods	1075.35	-1.82	-19.93	0.90	0.00	1084.38
Pharmaceuticals	1109.40	-0.92	-10.25	1.18	0.00	1115.42
Tobacco	1428.46	-2.44	-35.78	2.89	1.42	1457.07
CYCLICAL SERVICES	1277.89	-0.92	-10.81	2.41	0.95	1315.41
Distributors	773.43	-1.54	-11.27	4.06	0.00	736.55
General Retailers	1027.39	-1.19	-12.28	3.11	1.08	1049.56
Leisure Entertmt & Hotels	923.30	+0.67	+6.19	2.22	0.02	942.51
Media & Photography	1184.28	-0.37	-4.38	1.98	0.00	1198.93
Rests, Pubs & Brewing	814.62	-1.24	-10.26	3.45	2.84	841.11
Support Services	1085.77	-0.52	-5.71	1.37	0.00	1097.28
Transport	937.18	-2.06	-19.89	2.66	1.81	968.25
NON-CYCLICAL SERVS	1335.62	-0.52	-6.98	1.52	0.44	1374.55
Food & Drug Retailers	1002.86	-1.22	-12.40	2.07	0.51	1019.47
Telecommunication Servs	1320.86	-0.37	-4.94	1.42	0.53	1349.09
UTILITIES	1457.97	-1.01	-14.55	3.86	3.71	1530.73
Electricity	1117.29	-1.60	-18.21	3.17	3.42	1150.54
Gas Distribution	1173.31	+0.87	+10.19	1.82	1.00	1208.42
Water	948.53	-0.81	-7.70	5.30	2.42	995.92
FINANCIALS	1297.36	-0.87	-11.11	2.57	0.23	1302.20
Banks	894.48	-0.61	-5.48	3.41	0.28	907.49
Insurance	956.84	-1.04	-10.02	1.47	0.00	958.39
Life Assurance	1108.97	-2.32	-26.31	1.78	0.00	1123.37
Investment Companies	984.14	-0.13	-1.27	1.81	0.00	1007.75
Real Estate	710.28	+2.30	+15.96	3.44	0.00	728.75
Speciality & Other Fin	[illegible]	-0.94	-8.40	[illegible]	0.00	908.00
INFORMATION TECH	895.84	-2.41	-21.87	0.70	0.04	[illegible]
Information Tech Hardware	936.77	-2.44	-23.44	0.77	0.00	999.00
Software & Computer Serv	788.81	-2.32	[illegible]	0.49	0.15	771.78

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FTSE EUROTOP 300

[illegible]

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Feb 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	38.0198	-0.0678	078 - 417	38.5500	37.8300	38.1887	-4.6	38.4803	[illegible]	38.9784	-5.1
Denmark	(DKr)	7.4352	-0.0007	337 - 366	7.4391	7.4327	7.4391	-0.5	7.4445	-0.4	7.4731	-0.5
Greece	(Dr)	321.500	-0.4790	252 - 748	322.150	321.057	323.1132	-6.0	328.4813	-6.2	340.3047	-5.8
Hungary	(Forint)	250.900	+1.4070	743 - 057	251.310	248.850	253.5472	-12.6	258.6051	[illegible]	278.5457	-11.4
Norway	(NKr)	8.6955	+0.0631	905 - 004	8.7050	8.6860	8.7263	-4.3	8.7827	-4.0	8.9488	[illegible]
Poland	(Zloty)	4.2966	+0.0224	902 - 030	4.3170	4.2580	-	-	-	-	-	-
Romania	(Leu)	13788.51	+168.4700	[illegible] - 702	-	-	-	-	-	-	-	-
Russia	(Rouble)	25.9988	+0.0947	661 - 315	26.0765	25.8720	-	-	-	-	-	-
Slovakia	(Koruna)	42.9530	[illegible]	092 - 067	43.0700	42.3345	-	-	-	-	-	-
Sweden	(SKr)	8.9078	+0.0363	[illegible] - 150	8.9165	8.8894	8.9090	-0.2	8.9113	-0.2	8.9305	-0.3
Switzerland	(SFr)	1.5981	-0.0006	[illegible] - 090	1.5998	1.5952	1.5956	1.9	1.5908	1.8	1.5732	1.6
UK	(£)	0.6867	+0.0022	[illegible] - 070	0.6903	0.6845	0.6880	-2.3	0.6906	-2.3	0.7016	[illegible]
Americas												
Argentina	(Peso)	1.1232	+0.0053	[illegible] - 234	1.1284	1.1158	-	-	-	-	-	-
Brazil	(R$)	2.1568	[illegible]	457 - [illegible]	2.1691	2.1430	-	-	-	-	-	-
Canada	(C$)	1.6827	+0.0067	814 - [illegible]	1.6878	1.6755	1.6852	-1.8	1.6907	-1.9	1.7179	[illegible]
Mexico	(New Peso)	11.1488	+0.0498	412 - 564	11.1702	[illegible]	11.3700	-23.8	[illegible]	-25.1	13.8585	-24.3
USA	($)	1.1233	+0.0053	231 - 235	1.1268	1.1200	1.1248	-1.6	1.1285	-1.9	1.1477	-2.2
Pacific/Middle East/Africa												
Australia	(A$)	1.7704	+0.0172	687 - 721	1.7788	1.7579	1.7727	-1.6	1.7776	[illegible]	1.8048	-1.9
Hong Kong	(HK$)	8.7030	+0.0402	[illegible]	8.7272	8.6712	[illegible]	[illegible]	8.7784	-3.4	9.1187	[illegible]
India	(Rs)	47.8683	+0.1761	758 - 010	47.9030	47.5518	47.9973	-7.8	48.7321	-8.8	52.5518	-10.2
Indonesia	(Rupiah)	9772.72	+18.15	462 - 083	9850.80	9713.50	10022.43	-30.7	10547.25	[illegible]	13026.48	-33.3
Israel	(Shk)	4.5865	+0.0298	[illegible]	4.5723	[illegible]	-	-	-	-	-	-
Japan	(Y)	133.535	+1.4950	492 - 618	133.800	132.400	133.2546	2.7	132.6024	2.9	129.8221	2.8
Malaysia	(M$)	4.2685	+0.0201	[illegible]	4.2698	4.2560	-	-	-	-	-	-
New Zealand	(NZ$)	2.0891	+0.0122	[illegible] - 014	2.0980	2.0754	2.0906	[illegible]	2.0949	-1.1	2.1264	-1.8
Philippines	(Peso)	43.4166	+0.3726	[illegible]	43.7121	43.1200	43.7256	[illegible]	44.3629	[illegible]	47.5687	[illegible]
Saudi Arabia	(SR)	4.2132	+0.0202	122 - 142	4.2254	[illegible]	4.2247	-3.3	4.2518	-3.7	4.3874	-4.1
Singapore	(S$)	1.9068	+0.0090	053 - 083	1.9105	1.9008	1.9056	0.8	1.9032	0.8	1.9058	0.1
South Africa	(R)	6.9111	+0.0497	014 - 208	6.9239	6.8805	6.9800	-12.1	7.1173	-11.9	7.6939	-11.2
South Korea	(Won)	1319.86	+8.2300	852 - 124	-	-	-	-	-	-	-	-
Taiwan	(T$)	38.3398	+0.2273	761 - 014	38.4640	38.1590	38.5651	[illegible]	38.8393	-6.5	37.9580	-4.5
Thailand	(Bt)	41.5285	+0.2319	[illegible] - 920	41.6053	41.3951	41.6926	-4.7	41.9852	-4.4	43.7504	[illegible]
UAE	(Dirham)	4.1258	+0.0194	[illegible] - 267	4.3950	4.09580	4.1319	-1.8	4.1458	[illegible]	4.2202	-2.3

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT.

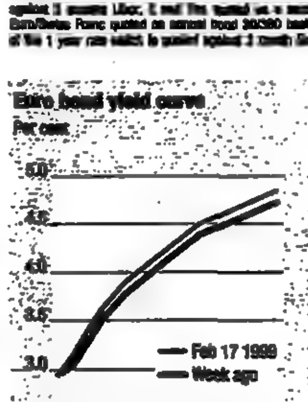
BONDS

INTEREST RATE SWAPS

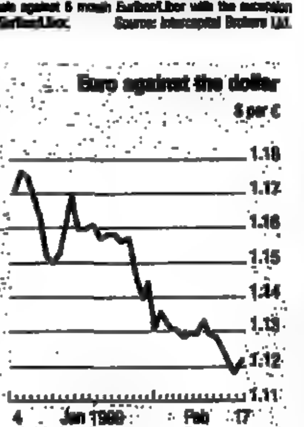
Feb 17	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.08	3.11	5.28	5.31	1.48	1.52	5.22	5.25	0.34	0.37
2 year	3.13	3.17	5.17	5.20	1.72	1.80	5.35	5.38	0.48	0.51
3 year	3.28	3.32	5.18	5.22	1.95	2.03	5.43	5.46	0.78	0.81
4 year	3.45	3.49	5.19	5.23	2.15	2.23	5.49	5.52	1.09	1.12
5 year	3.62	3.66	5.18	5.22	2.34	2.42	5.53	5.56	1.37	1.40
6 year	3.77	3.81	5.17	5.21	2.51	2.59	5.57	5.60	1.63	1.66
7 year	3.91	3.95	5.16	5.20	2.68	2.76	5.63	5.66	1.84	1.87
8 year	4.03	4.07	5.16	5.20	2.85	2.93	5.66	5.69	2.00	2.03
9 year	4.14	4.18	5.16	5.20	3.00	3.08	5.70	5.73	2.14	2.17
10 year	4.23	4.27	5.17	5.21	3.15	3.23	5.74	5.77	2.26	2.29
12 year	4.38	4.42	5.19	5.24	3.38	3.46	5.82	5.85	2.50	2.54
15 year	4.58	4.62	5.20	5.25	3.63	3.73	5.91	5.94	2.74	2.79
20 year	4.78	4.83	5.20	5.25	3.88	3.98	6.00	[illegible]	2.92	2.97
25 year	4.91	4.95	5.19	5.26	3.99	4.08	5.99	6.02	3.03	3.06
30 year	4.98	5.02	5.19	5.26	4.08	[illegible]	5.97	6.00	3.06	3.12

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 month Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 month Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve



Euro against the dollar



Source: Interactive Data/FT Information.

EURO-ZONE BONDS

Feb 17	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
[illegible] SOVEREIGNS								
UK	01/01	4.250	AAA	102.023	3.15	+0.00	+0.17	+0.13
Denmark	01/02	4.750	AA+	103.950	3.28	-0.01	+0.21	+0.16
Sweden	02/01	5.000	AA+	103.411	3.18	+0.00	+0.16	+0.18
Greece	11/06	8.750	BBB	114.807	4.44	-0.03	+0.21	+0.81
[illegible] SUPRANATIONALS								
ADB	10/07	5.500	AAA	106.214	4.34	-0.05	+0.20	+0.82
EIB	04/08	5.000	AAA	105.941	4.07	-0.03	+0.20	+0.26
Eurofima	12/08	5.625	AAA	109.647	4.46	-0.02	+0.21	+0.58
World Bank	04/05	7.125	AAA	117.879	3.84	-0.02	+0.22	+0.32
[illegible] UTILITIES								
EDF	10/03	3.750	n/a	101.058	3.50	-0.02	+0.15	[illegible]
TEPCO	02/03	4.750	AA	103.325	3.84	-0.01	+0.23	+0.57
Quebec Hydro	03/08	5.375	A+	[illegible]	4.62	-0.03	+0.21	+0.81
Norsk Hydro	10/99	7.250	A	102.216	3.50	+0.01	+0.01	+0.59
[illegible] FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	[illegible]	4.40	-0.02	+0.18	+0.44
OKB	09/07	6.750	AAA	111.518	4.12	-0.03	+0.18	+0.40
Credit Local	04/08	5.250	AA+	106.341	4.41	-0.02	+0.22	+0.80
Abbey Natl	01/09	5.000	AA-	102.218	4.71	-0.02	+0.21	+0.81
[illegible] INDUSTRIALS								
Unilever	10/01	6.125	AAA	104.211	3.42	-0.01	+0.17	+0.40
McDonalds	03/08	5.125	AA	105.825	4.36	-0.03	+0.08	[illegible]
Philip Morris	06/08	5.625	A	105.589	4.86	-0.03	+0.18	+1.05
IMT Intl Fin	07/08	5.375	A-	102.971	4.58	-0.03	+0.08	+1.25
[illegible] PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.728	3.30	+0.02	+0.11	+0.28
Eurohypo AG	01/04	5.000	n/a	106.132	3.61	+0.03	+0.16	+0.21
Bayer Vereins	01/08	6.000	n/a	112.376	3.92	+0.03	+0.25	+0.29
Depfa	07/08	4.750	n/a	103.856	4.25	+0.04	+0.22	+0.42
[illegible] HIGH YIELD								
Geberit	04/07	10.125	B+	108.455	8.44	-0.08	+0.41	+4.72
Colt Telecom	11/07	8.875	n/a	105.381	7.85	+0.05	-0.62	[illegible]
Impress Metal	05/07	9.875	B	102.950	9.35	-0.06	+1.58	[illegible]
Remy Cointreau	07/05	10.000	B+	97.842	10.47	[illegible]	-1.61	[illegible]

Standard & Poor's ratings.

Source: Interactive Data/FT Information.

NOTICE TO THE HOLDERS OF

Samsung Electronics Co., Ltd.

(Incorporated with limited liability in the Republic of Korea) (the "Company")

US$300 Million Zero Coupon Convertible Bonds due December 31, 2007 (the "Bonds")

CUSIP #796050 AC6, ISIN #US796050AC65

NOTICE IS HEREBY GIVEN pursuant to Section 1203 of the Indenture dated June 26, 1997 under which the Bonds were issued that, as a result of the rights offering granted by the Company to its shareholders, the conversion price of the Bonds has been adjusted from KRW 116,763 to KRW 115,373 effective as of January 1, 1999.

SAMSUNG
ELECTRONICS CO., LTD.
By: Citibank, N.A.,
as Conversion Agent

Date: February 18, 1999

**The CUSIP numbers have been assigned by Standard & Poor's Corporation and is included solely for the convenience of the holders. Neither the Company, nor the Trustee shall be responsible for the selection or use of these numbers, nor is any representation made as to its correctness on the Bonds or as indicated in this Notice to Holders.*

BADEN - WURTTEMBERG
L - FINANCE N.V.
FRF 1 000 000 000
CNO - TEC10
INDEXED FLOATING RATE GUARANTEED BONDS
DUE 2007
ISIN CODE : XS0081703711

For the period from February 19, 1999 to May 19, 1999 the new rate has been fixed at 2.93%.
Next payment date :
May 19, 1999
Coupon nr : 6
Amount :
FRF 732.5 for the
denomination of FRF 100 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE
BANK & TRUST S.A.
LUXEMBOURG
11-13, avenue Emile Reuter
L-2420 LUXEMBOURG

U.S. $500,000,000

National Westminster Bank

(Incorporated in England with limited liability)

Primary Capital FRNs (Series "B")

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from February 18, 1999 to August 18, 1999 the Notes will carry an Interest Rate of 5.25% per annum. The interest payable on the relevant interest payment date, August 18, 1999 against Coupon No. 29 will be U.S. $2,639.58 and U.S. $263.96 respectively for Notes in denominations of U.S. $100,000 and U.S. $10,000.

By: The Chase Manhattan Bank
London, Agent Bank

February 18, 1999

U.S. $300,000,000

Republic of Indonesia

Floating Rate Notes due February 2001

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 18, 1999 to August 18, 1999 the Notes will carry an Interest rate of 5.375% per annum. The interest payable on the relevant interest payment date, August 18, 1999 will be U.S. $6,758.08 and U.S. $270.24 respectively for Notes in denominations of U.S. $250,000 and U.S. $10,000.

By: The Chase Manhattan Bank
London, Agent Bank

February 18, 1999

CHASE

J.P. Morgan & Co. Incorporated

US$200,000,000

Subordinated floating rate notes due August 2002

In accordance with the provisions of the notes, notice is hereby given that for the interest period 18 February 1999 to 18 May 1999 the notes will carry an interest rate of 5% per annum. Interest payable on the relevant interest payment date 18 May 1999 will amount to US$61.81 per US$5,000 note.

Global Agency and Trust Services, Citibank, N.A., London

18 February 1998

CITIBANK

COMPAGNIE DE SAINT-GOBAIN

Titres participatifs in ECU
Provisory coupon on
August 10, 1999

For the period of remuneration from February 10, 1999 to August 10, 1999, a TMOE of 4.1875 per cent or a Euro Libor six month of 3.04938 plus ⅜ per cent, so 3.42438 per cent, as the case may be, will be used to calculate the coupon.

This coupon payable on August 10, 1999 will not be less than Euro 17.12 for each titre participatif of Euro 1000.

The definitive coupon will be known after the publication of the net consolidated income for 1998.

LEGAL NOTICES

No. 00741 of 1999

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
CROMWELL CLEANING COMPANY
(LONDON) LIMITED
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 2nd February 1999 presented to Her Majesty's High Court of Justice for the reduction of the share capital of the above named company from £2,201,004 to £100,000. And notice is further given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on 3rd March 1999. Any creditor or shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charges for the same.

Dated this 18th day of February 1999

Nabarro Nathanson
The Anchorage
34 Bridge Street
Reading RG1 2LU
Solicitors for the Petitioning Company

VIRIDIAN GROUP PLC

£150,000,000

Unsecured Loan Notes due 2003 of 47.4p each

For the six months from 15th February 1999 to 15th August 1999 inclusive the Bonds will carry an interest rate of 5.46313% per annum.

The interest amount payable per Bond will be £0.01291 on 16th August 1999.

AGENT BANK
BARCLAYS

N.V. Nederlandse Gasunie

DEM 75,000,000
Inverse Floating Rate Notes due 2003

The notes will bear interest at 9.4575% per annum for the interest period from 18 February 1999 to 18 August 1999. Interest payable on 18 August 1999 will amount to DEM 47.55 per DEM 1,000 Note and DEM 475.50 per DEM 10,000 Note.

Global Agency and Trust Services, Citibank, N.A., London

18 February 1999

CITIBANK

US $100,000,000

The Industrial Finance Corporation of India Limited

Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that for the interest period February 18, 1999 to August 18, 1999 the Notes will carry an interest rate of 5.93715% per annum.

Interest payable on the relevant interest payment date August 18, 1999 will amount to US $29.85 per US $1,000 Note and to US $298.51 per US $10,000 Note.

Agent Bank
PARIBAS
PARIBAS LUXEMBOURG

Treasuries rally as JGB yields fall

BENCHMARK BONDS

By Florian Gimbel in London and John Labate in New York

US Treasury prices moved higher in spite of signs of continued strength in the property market. Fears of a big repatriation of Japanese funds from the US continued to ease as Japanese government bond yields dropped.

Data released by the Commerce Department showed new home construction starts in January at their highest in more than a decade, driving Treasuries lower during the day.

However, by early afternoon the benchmark 30-year bond had gained ⅛ to 98⅝, sending the yield lower to 5.323 per cent.

Treasuries rebounded on hopes of continued Japanese government intervention in the bond market, with the benchmark JGB yield falling to 1.930 per cent from 1.985 per cent previously. However, in spite of the MoF's plan to cut issuance of 10-year JGBs, Japanese bonds are still being haunted by the prospect of a glut of new government debt.

"Even if the government went ahead with its plans to issue more short-dated bonds, there would still be sufficient supply of 10-year JGBs, putting further upward pressure on yields," said Jeremy Hawkins at Bank of America. He thought JGB yields would have to move as high as 3 per cent, not least because of the weakening yen.

Euro-zone government bonds reversed earlier losses in response to the rally in US Treasury prices. The benchmark 10-year German bund future closed 0.39 higher at 115.53.

"Most people are sitting on the sidelines ahead of Thursday's European Central Bank meeting," said one trader.

An ECB report issued late on Tuesday said the bank saw little evidence that weak European business confidence would hit strong consumer demand, while stressing that interest rates posed no obstacle to growth in the euro-zone economies. This added to the widely held belief that a cut in euro-zone interest rates at this week's ECB meeting was unlikely.

UK gilts lost ground following the release of better than expected employment data. A surprise fall of 5,700 in the January unemployment figure weighed heavily on the market, casting doubts over a possible interest rate cut in March.

The Bank of England's February MPC minutes, released yesterday, added to the bearish mood. "The market concluded that interest rates are on hold for the time being," said Colin Durkan at Merrill Lynch. But others disagree.

"We are seeing more potential for a rate cut than the market is currently pricing in," said Mr Hawkins at Bank of America.

The 10-year gilt future ended 0.07 per cent lower at 117.05 after a rebound from earlier lows. "Today, we saw strong selling in long gilt future contracts, with the market testing the critical low of 116.40. The long end of the yield curve clearly outperformed the short end," said Mr Durkan.

Channel tunnel rail link funded

NEW ISSUES

By Arkady Ostrovsky

London & Continental Railways yesterday completed an ambitious fund-raising programme for the first phase of the troubled Channel tunnel rail link with an additional issue of £1bn of government-guaranteed 10-year bonds.

The deal follows last week's issue of £1.65bn in ultra-long bonds maturing in 2028 and 2038 and completes funding for the first stage of the 68-mile rail link.

An official at Warburg Dillon Read, joint lead-manager with HSBC Markets, said the deal was oversubscribed, but not as heavily as last week's issue. He said the bond issue was adversely affected by the rising yields in the government bond market.

The bond issue was priced to yield 37.5 basis points over the 10-year gilt maturing in December 2009, compared with last week's pricing of 33 basis points over the relevant gilt.

The Warburg official said the offering appeared more expensive than last week's issue because it was priced over the most expensive and liquid gilt. He said if the bond were to be priced over the gilt yield curve, the price would have been about 27 basis point over the curve.

The official added that the offering attracted more international investors than last week's issue. The spread tightened by 0.5 basis points after the launch.

Another UK rail company, Railtrack, which owns the UK's rail infrastructure but not the rolling stock, launched a £400m convertible bond, the proceeds of which will help finance its capital expenditure programme.

Warburg, which is also the lead manager for Railtrack, said the convertible bond offered Railtrack a low coupon and high conversion premium. The bond comes at a conversion premium of 25 per cent to the launch day share price.

A Warburg official said market conditions for convertible bonds were extremely positive and allowed the borrower to diversify the investor base.

He said the issue was aimed at dedicated convertible bond investors and attracted strong interest from Switzerland. The bond traded slightly above par, despite a drop in Railtrack's share price.

Argentina confirmed its reputation as a strong borrower in the face of adversity, with a $1bn 20-year offering yesterday. The bond, price 10 basis points lower than Argentina's existing benchmark, was heavily subscribed. This was the largest offering from Argentina this year.

The bond consists of two parts: the nominal amount of the bond and an embedded option which entitles the holder to buy half the same amount of bonds 12 months from now. The warrant can be traded as a separate instrument after March 25.

The bond will be marketed by Roque Fernandez, minister of economy of Argentina and Pablo Guidotti, secretary of the treasury, in London today.

Elsewhere, Ford is today to price a $2bn five-year offering at a spread of between 83 and 85 basis points over the Treasury benchmark.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Abbey National Treasury	300	5.50	99.8184R	Mar 2002	0.20R	+56(4½%Jan01)	CSFB
Woolwich††	300	(a)	99.975R	Mar 2002	0.125R	-	Tokyo-Mitsubishi
AFC Class A†	275	(b)	100.00R	Feb 2029	0.27R	-	Merrill Lynch
AFC Class B†	250	(c)	100.00R	Feb 2029	0.27R	-	Merrill Lynch
Spintab	300	(d)	99.892R	Mar 2002	0.125R	-	JP Morgan
Argentina#ɸ	1bn	12.125	99.613	Feb 2019	1.00	+678(5% 29)	JP Morgan
EUROS							
CLIO	230	(g,a)	100.00R	Feb 2001	0.30R	-	Paribas
World Bank	100	(h)	96.50R	Mar 2024	0.50R	-	Paribas
STERLING							
LCR Finance	1bn	4.75(a)	99.478R	Dec 2010	0.15R	+37½(5% 09)	HSBC Markets/WDR
Railtrack§(j)	400	3.50	100.00	Mar 2009	2.50	-	WDR
SWISS FRANCS							
Swedish Export Credit Corp	250	2.00	100.75	Mar 2004	2.00	-	WDR

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. †Unlisted. §Convertible. ɸWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor plus 6¼bp. b) 1-mth Libor plus 48bp. c) 1-mth Libor plus 38bp. d) 3-mth Libor plus 6¼bp. e) Spread relates to German govt bonds unless stated. g) 3-mth Euribor plus 50bp. h) 12½% in yr 1, 5% in yrs 2&3, 4% in yrs 4&5, 8% minus 12-mth Euribor in yrs 6-20, 4% in yrs 21&22, 5% in yrs 23&24, 12½% in yr 25. j) Conv price: £18.40. Conv premium: 25%. Greenshoe: £50m. Callable on 03/04 at par. s) Short 1st coupon.

Pakistan reverses freeze on share sales

By Farhan Bokhari in Islamabad

National Investment Trust (NIT), Pakistan's largest mutual fund, has been allowed by the country's finance ministry to sell shares in five public sector companies, reversing a five-year freeze on their sale.

The move is meant to help the deregulation of the country's mutual funds and to boost capital market activity.

The finance ministry's decision is apparently one of the conditions attached to a $250m loan agreed with the Asian Development Bank (ADB) for the development of capital markets in Pakistan.

Analysts said NIT was unlikely to sell the shares in the near future, in view of depressed market conditions in the wake of last year's economic crisis.

But it is a step that is expected to increase options for prospective investors, once the shares are offered for sale.

Nasir Ali Bukhari, chief executive of Karachi's Khadim Ali Shah Bukhari brokerage house, said last night: "The decision is unlikely to affect the sentiment across Pakistan's equity markets in the near future, because share values are already down sharply and investors are downbeat."

However, he added that "the benefits could flow in the long run once the economy recovers".

The shares affected by the decision include those of the state-owned Pakistan State Oil, Karachi Electricity Supply Corporation, Sui Southern Gas company, Sui Northern Gas company, and National Refinery.

Greece to extend bond maturities

By Kerin Hope in Athens

Greece will issue its first 20-year bond in the second quarter and plans to bring its debt profile into line with the rest of the European Union by issuing a 30-year bond before the year-end.

The country's brightening prospects for joining the euro-zone in 2001 have triggered a flood of investment by international institutions in long-term Greek bonds. However, the market is still underdeveloped, with most debt issues with maturities of less than five years.

Nikos Christodoulakis, deputy finance minister, said the timing of the 20-year issue would depend on progress made in reducing inflation. "We must be careful to avoid upsetting the market for 10-year and 15-year paper by going ahead too soon," he said.

Inflation is projected to fall from 3.7 per cent in January to 2.5 per cent in April as the impact of a 12.1 per cent devaluation of the drachma in March 1998 is wiped out. Although the pace of deceleration may slow in the second half, the year-end inflation target is 1.9 per cent.

The finance ministry is already expanding the size of 10-year and 15-year issues while shrinking the amounts offered in 12-month Treasury bills, until recently the most popular investment with domestic savers.

Long-term issues are likely to exceed $500m at the finance ministry's monthly auctions, compared with less than $200m for Treasury bills.

Strong appetite among international investors betting that Greek bond yields will converge with those of the rest of Europe next year has driven up prices, enabling Greece to reach another milestone on the road to convergence.

After hovering since early January at around 200 basis points above German bunds, the yield spread on Greek 10-year bonds fell this week to about 195 basis points.

Maastricht requirements call for long-term interest rates to remain consistently at a spread of less than 200 basis points above the average yield of the three lowest yielding government benchmarks.

"It was a psychological breakthrough," said Mr Christodoulakis. "But it will be some while before investors become convinced that low spreads are here to stay."

Weaning domestic investors off Treasury bills will also take time, although demand is increasing for a new two-year bond that is exempt from the 15 per cent withholding tax on interest paid by domestic savers.

Three-year tax-free bonds will be offered next to extend the debt profile at the short end of the curve, Mr Christodoulakis said.

Greece's fast-growing mutual funds, which are increasingly popular with domestic savers, will soon be required to mark their portfolios to market, he added.

This move is aimed at encouraging fund managers to replace floating-rate notes with long-term fixed-rate securities, which would give higher returns to investors.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Feb 17	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	6.750	108.8857	4.90	+0.03	-0.09	-0.08	-0.24
	09/08	8.750	126.1094	5.34	-	+0.13	+0.15	-0.46
Austria	07/00	5.875	103.7600	3.07	+0.01	-0.02	+0.11	-0.96
	01/08	5.000	107.1100	4.03	-0.03	+0.09	+0.16	-0.87
Belgium	01/00	4.000	100.9400	2.89	+0.02	-0.07	+0.02	-1.06
	03/08	5.750	112.3800	4.08	-0.01	+0.11	+0.16	-0.88
Canada	12/00	5.000	99.9700	5.01	-0.03	+0.11	+0.24	-0.04
	06/08	6.000	106.4000	5.12	-0.03	+0.07	-0.16	-0.26
Denmark	11/00	9.000	108.0100	3.51	+0.01	+0.01	-	-0.80
	11/07	7.000	119.9800	4.21	-0.01	+0.10	+0.20	-1.01
Finland	08/00	4.000	101.2500	3.01	+0.01	+0.03	+0.09	-0.82
	04/08	6.000	114.4300	4.08	-0.01	+0.12	+0.20	-0.98
France	07/00	4.000	101.2900	3.02	-0.02	+0.03	+0.11	-0.90
	10/05	7.750	124.2300	3.58	-0.02	+0.08	+0.17	-1.00
	10/08	8.500	136.8700	3.98	-0.02	+0.11	+0.24	-0.97
	04/29	5.500	110.0200	4.86	-0.02	+0.12	+0.21	-0.83
Germany	06/00	4.000	101.2000	2.98	-0.05	-0.03	+0.08	-0.81
	10/03	6.500	110.2300	3.59	-0.01	+0.10	+0.16	-1.00
	07/08	4.750	106.3500	3.92	-0.03	+0.12	+0.21	-0.89
	01/28	5.625	111.7900	4.86	-0.02	+0.13	+0.19	-0.83
Greece	03/00	9.800	100.3000	8.46	+0.25	-0.04	-0.70	-6.29
	03/08	8.600	110.7800	6.16	+0.05	+0.09	-0.28	-4.74
Ireland	10/01	6.500	108.3000	3.19	-0.01	+0.07	+0.16	-1.55
	08/08	5.000	114.7000	4.10	-0.01	+0.12	+0.21	-1.08
Italy	04/01	4.500	102.7900	3.13	-0.01	+0.06	+0.12	-1.54
	07/03	4.500	104.1600	3.47	-0.01	+0.09	+0.18	-1.38
	05/08	6.000	108.8300	4.10	-0.01	+0.13	+0.21	-1.16
	11/27	6.500	122.0000	5.04	-0.01	+0.16	+0.30	-0.74
Japan	10/00	6.800	111.8070	0.38	-0.07	-0.20	-0.16	-0.34
	12/03	4.100	113.4500	1.32	-0.06	-0.11	-	-0.10
	09/08	1.800	99.9490	1.92	-0.08	-0.07	+0.16	+0.17
	03/18	2.700	97.7840	2.85	-0.05	+0.01	+0.27	+0.27
Netherlands	05/00	8.000	107.1200	2.98	+0.01	-0.02	+0.06	-0.83
	07/08	5.250	108.7000	3.99	-0.01	+0.11	+0.20	-0.96
New Zealand	02/01	8.000	105.5735	4.97	-0.03	-0.06	-0.10	-1.58
	07/06	7.000	110.9166	5.60	-0.05	+0.02	+0.10	-1.29
Norway	05/01	7.000	104.3200	4.62	+0.10	+0.11	-0.60	+0.78
	01/07	6.750	112.3000	4.86	+0.05	+0.21	-0.21	-0.30
Portugal	03/00	5.375	102.3540	3.12	-0.06	+0.07	+0.09	-1.02
	06/08	5.375	109.7600	4.09	-0.01	+0.11	+0.17	-1.06
Spain	04/00	6.750	104.1630	2.86	-0.07	-0.04	+0.04	-1.35
	01/08	6.000	114.2000	4.07	-0.02	+0.11	+0.18	-1.06
Sweden	05/00	10.250	108.0716	3.25	-	-0.04	-0.04	-1.38
	05/05	6.500	117.2390	4.20	+0.02	+0.11	+0.24	-1.23
Switzerland	06/00	4.500	103.9500	1.35	-0.01	-	+0.06	+0.13
	01/08	4.250	115.1500	2.34	-0.03	+0.04	+0.02	-0.30
UK	11/01	7.000	105.7900	4.70	-0.06	+0.06	+0.14	-1.95
	12/03	6.500	108.5300	4.60	-0.01	+0.17	+0.25	-1.54
	10/08	9.000	134.7700	4.61	-	+0.17	+0.22	-1.40
	12/28	6.000	126.8200	4.38	-0.01	+0.11	+0.09	-1.50
US	08/00	4.500	99.3350	4.93	-0.04	+0.09	+0.32	-0.43
	08/03	5.250	100.9531	5.01	-0.03	+0.12	+0.30	-0.49
	05/08	5.625	103.7813	5.10	-0.03	+0.09	+0.37	-0.40
	08/28	5.500	99.8125	5.51	-0.02	+0.07	+0.31	-0.32

London closing. * New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Feb 17	Bid Yield	Spread vs Euros	Spread vs T-Bonds		Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.35	+1.45	+0.35	Netherlands	4.02	+0.12	-0.98
Austria	4.17	+0.27	-0.83	New Zealand	5.61	+1.71	+0.61
Belgium	4.10	+0.20	-0.90	Norway	4.86	+0.96	-0.14
Canada	5.13	+1.23	+0.13	Portugal	4.14	+0.24	-0.86
Denmark	4.22	+0.32	-0.78	Spain	4.18	+0.28	-0.82
Finland	4.11	+0.21	-0.89	Sweden	4.23	+0.33	-0.77
France	3.96	+0.06	-1.04	Switzerland	2.44	-1.46	-2.56
Germany	3.90	-	-1.10	UK	4.48	+0.58	-0.52
Greece	6.13	+2.23	+1.13	US	5.00	+1.10	-
Ireland	4.14	+0.24	-0.86				
Italy	4.10	+0.20	-0.90				
Japan	1.95	-1.95	-3.05				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Feb 17	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	95.3472	8.79	-0.14	-0.91	+3.89
Poland	07/04	7.125	BBB-	106.0506	5.77	-0.02	-0.17	+0.86
Russia	06/07	10.000	n/a	30.1600	38.11	-0.22	-7.68	+33.14
LATIN AMERICA								
Argentina	09/27	9.750	BB	83.1658	11.81	+0.23	-0.02	+6.51
Brazil	05/27	10.125	B+	67.7063	15.07	-0.10	-0.85	+9.77
Mexico	05/26	11.500	BB	108.3249	10.56	-0.14	-0.68	+5.26
ASIA								
China	07/08	7.750	BBB+	100.7570	7.60	+0.08	+0.43	+2.80
Philippines	10/16	8.750	BB+	95.1780	9.31	-0.14	-0.75	+4.19
Thailand	04/07	7.750	BBB-	98.9778	7.92	+0.22	+0.34	+2.95
AFRICA/MIDDLE EAST								
Lebanon	07/00	8.125	BB-	104.2814	5.69	-0.14	+0.39	+1.03
South Africa	10/06	8.375	BB+	93.6010	9.58	-0.03	-0.16	+4.63
Turkey	09/07	10.000	B	89.9916	11.90	-0.07	+0.14	+6.93
BRADY BONDS								
Argentina	03/23	5.750	BB	70.0000	9.08	+0.03	-0.49	+3.85
Brazil	04/14	5.000	B+	59.2500	14.08	-0.08	-0.58	+8.00
Mexico	12/19	6.250	BB	77.1250	8.63	+0.04	-0.34	+3.47
Venezuela	03/20	6.750	B+	65.5000	10.98	+0.07	-0.44	+5.80

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.18	111.19	+0.11	111.28	110.88	43,495	91,088

LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	PUTS Feb	PUTS Mar
110	1.18	-	0.12	-
111	0.78	-	0.24	-
112	0.48	-	0.44	-
113	0.28	-	0.72	-

Est. vol. total. Calls 2,102 Puts - . Previous day's open int. Calls 11,245 Puts 10,580.

Germany

NOTIONAL GERMAN BOND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115.38	115.58	+0.37	115.61	114.87	666,124	513,483

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	108.67	108.86	+0.15	108.97	108.72	202,155	204,677

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		101.53	-0.08			0	1048

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		100.81	-0.16			0	[illegible]

Also traded on APT. All Open interest figs. are for previous day.

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113.47	113.58	+0.19	113.60	113.02	12873	48146

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	116.55	115.82	+0.19	116.70	116.16	24,992	22,436
Jun	-	-	-	-	-	-	-

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		108.25	-0.11			0	63
Jun		108.05	-0.11			0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	117.25	117.05	-0.07	117.41	116.38	67490	93828
Jun	117.59	116.00	-0.08	118.10	117.48	2858	4808

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11650	0.66	2.40	0.11	0.90
11700	0.34	2.15	0.29	1.15
11750	0.14	2.00	0.50	1.50
11800	0.04	1.69	0.90	1.58
11850	0.01	1.37	1.46	1.87
11900	0	1.16	1.95	2.16

Est. vol. total, Calls 2974 Puts 4832. Previous day's open int., Calls 13590 Puts 8983

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	123-17	123-27	+0-11	123-27	122-26	300,209	631,121
Jun	123-03	123-13	+0-11	123-13	122-23	33,786	295,459
Sep	-	122-20	-	-	-	5	8,855

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	130.30	130.01		130.30	129.94	1650	n/a
Jun	129.05	128.84		129.05	128.77	290	n/a

Euro

€ BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.05	109.53	+0.41	109.05	109.05	1	161

US CORPORATE BONDS

Feb 16	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	105.3203	5.40	-0.09	+0.25	+5.40
NY Tel	08/25	7.00	A+	100.4930	6.95	-0.05	+0.29	+1.80
GTE	06/08	[illegible]	BBB	113.7161	6.08	-0.90	+0.16	+1.20
FINANCIALS								
GECC	05/07	8.75	AAA	118.7080	5.84	-0.90	+0.32	+0.81
Banc One	08/02	7.25	A	104.7411	5.71	-0.08	+0.19	+5.71
CNA Fin	01/18	6.95	A-	98.0189	7.08	-0.59	-0.02	+1.71
INDUSTRIALS								
Wmx Tech	04/09	6.25	BBB+	100.0261	5.90	-0.09	+0.10	+1.36
Wal Mart	08/02	6.75	AA	104.5893	5.15	-0.99	+0.28	+5.15
Dayton Hud	08/21	9.70	A-	136.3019	6.56	-0.90	+0.03	+1.21
AGENCIES								
FHLMC	04/07	7.14	NA	109.8545	5.71	-0.99	+0.28	+0.58
SLMA	02/00	7.50	NA	102.3261	5.20	-0.99	+0.12	+0.70
FNMA	02/18	8.55	NA	134.2245	5.92	-0.99	+0.28	+0.57
FFCB	09/06	8.95	NA	120.0175	5.56	-0.09	+0.20	+0.53
HIGH YIELD								
Stone Cont	08/01	11.50	B	101.3750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	105.0000	0.00	-	-	-
Pacalta	06/04	10.75	B-	76.5000	0.00	-	-	-

NY close. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	-	Two year	4.88
Broker loan rate	6½	Two month	-	Three year	4.91
Fed.funds	4¾	Three month	4.53	Five year	4.91
Fed.funds at intervention	-	Six month	4.61	10-year	4.98
		One year	4.69	30-year	5.34

INTERNATIONAL BONDS

Feb 17	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
US $								
EIB	04/07	7.250	AAA	110.2839	5.64	-0.05	+0.28	+0.67
ABN Amro	05/07	7.125	AA-	105.3583	6.27	-0.04	-0.03	+1.20
Quebec	01/07	7.000	A+	108.0432	6.03	-0.04	+0.19	+1.08
Citicorp FRN	02/04	5.312	AA-	98.2771	5.71	-0.04	-0.77	+0.79
C$								
Bayer L-Bk	08/04	9.500	AAA	117.8398	5.61	-0.01	+0.25	+0.19
Toronto (M of)	05/04	8.500	AA+	113.2481	5.52	-0.01	+0.08	+0.10
Bell Canada	07/99	10.625	A+	101.6595	5.45	-	+0.25	+1.27
Deutsche B FRN	09/02	5.875	AA+	100.6810	5.66	-0.02	+0.30	+0.31
£								
EIB	12/07	7.625	AAA	117.5841	5.09	+0.02	-0.02	+0.46
Dresdner Bk	12/07	7.750	AA-	112.3043	5.91	+0.02	+0.19	+1.28
British Gas	03/00	[illegible]	A+	102.0942	5.60	+0.03	+0.08	+0.62
Abbey Nat FRN	02/02	[illegible]	AA	100.4101	4.31	+0.08	+0.06	-0.33
SFr								
EIB	01/06	3.750	AAA	103.3016	3.32	-0.02	-	+0.97
Brit Columbia	02/02	3.250	AA	103.8401	1.92	-	+0.02	+0.29
Hydro-Quebec	05/01	6.750	n/a	109.0473	2.55	-0.01	+0.04	+1.07
Gen Elect	09/01	1.711	n/a	99.8429	1.95	-0.01	+0.03	+0.02
YEN								
IBRD (World Bk)	09/02	5.250	AAA	[illegible]	0.61	-0.09	-0.03	-0.11
Spain (Kingdom)	03/02	5.750	AA	115.1954	0.75	-0.08	+0.04	+0.05
Cred Foncier	08/02	4.750	A	112.0039	1.19	-0.09	-0.06	+0.47
Italy (Rep of)	07/99	[illegible]	AA	100.0740	0.19	-0.09	-0.14	+0.02
A$								
IBRD (World Bk)	02/08	6.000	AAA	101.7621	5.74	-	+0.17	+0.41
New Sth Wales Tr	05/08	6.500	n/a	104.3499	5.75	-	+0.10	+0.52
S. Aus Gov Fin	06/03	7.750	AA	107.4362	5.76	+0.02	+0.07	+0.73
GMAC Aust	06/01	9.000	n/a	106.8669	5.64	+0.03	+0.01	+0.72

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information.

UK BONDS

FTSE Actuaries Government Securities UK Indices

Price Indices UK Gilts	Wed Feb 17	Day's chge %	Accrued interest	xd adj ytd	Total Return	Duration Years	Duration Yield	% Weight
1 Up to 5 years (16)	121.85	-0.08	2.33	0.92	1202.35	2.34	4.75	34.16
2 5-10 years (11)	171.00	-0.08	2.57	0.68	1320.51	5.62	4.60	29.30
3 10-15 years (7)	[illegible]	+0.14	1.96	1.34	1454.19	8.88	4.54	13.50
4 5-15 years (18)	175.32	-0.01	2.45	0.87	1385.27	6.76	4.58	42.79
5 Over 15 years (4)	231.39	+0.18	1.99	1.38	1581.48	11.75	4.82	22.27
6 Irredeemables (4)	324.07	+0.22	3.07	1.07	1695.84	22.87	4.65	0.78
7 All stocks (42)	186.34	+0.01	2.41	0.99	1353.12	6.86	4.59	100.00

Index-linked	Wed Feb 17	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	225.46	-0.09	1.82	0.00	1170.09	15.06
2 Over 5 years (9)	257.34	-0.04	0.76	2.15	1397.91	84.94
3 5-15 years (5)	240.55	-0.06	0.55	2.03	1302.23	42.75
4 Over 15 years (4)	272.79	+0.01	0.98	2.29	1485.92	42.19
5 All stocks (11)	251.42	-0.04	0.93	1.79	1365.96	100.00

Yield Indices	Feb 17	Feb 16	Yr ago	Yield Indices	Feb 17	Feb 16	Yr ago
5 yrs	4.66	4.63	6.18	Irred †	4.66	4.66	6.05
10 yrs	4.57	4.56	5.96	Med. 15 yrs	4.58	4.57	5.93
15 yrs	4.54	4.55	5.92	High 15 yrs	4.65	4.66	6.05
20 yrs	4.53	4.55	5.91				

Coupon Bands: Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

Real yield	Inflation 0% Feb 17	Dur yrs	Feb 16	Yr ago	Inflation 5% Feb 17	Dur yrs	Feb 16	Yr ago
Up to 5 yrs	3.02	3.30	2.99	3.45	2.16	[illegible]	[illegible]	2.60
Over 5 yrs	2.08	13.22	2.08	3.18	1.87	13.33	1.87	2.93
5-15 yrs	2.14	9.81	2.13	3.22	1.84	9.86	1.83	2.88
Over 15 yrs	[illegible]	16.84	2.05	3.13	1.88	16.94	1.88	2.95
All Stocks	2.12	11.65	2.12	3.16	1.88	11.79	1.88	2.92

FT Fixed Interest Indices

	Feb 17	Feb 16	Feb 15	Feb 12	Feb 11	Yr ago	High*	Low*
Govt. Secs. (UK)	114.62	114.67	114.19	114.61	115.53	103.93	117.17	93.31
Fixed Interest	157.44	157.45	156.94	157.56	158.60	139.89	158.45	115.32

* for 1998/99. Government Securities high since compilation: 127.40 (1/1/35), low 49.18 (1/3/75). Fixed Interest high since compilation: 158.45 (22/01/99), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 9½pc 1999		9.50	5.51	[illegible]	—	102.19	100.09
Treas Flg Rate 1999		-	-	100.0416	-.0003	100.22	100.02
Exch 12¼pc 1999		12.17	5.31	[illegible]	-.0170	105.55	100.67
Treas 10½pc 1999		10.37	5.12	101.2867	-.0143	104.38	101.28
Treas 6pc 1999		5.97	5.03	100.4696	-.0058	100.50	99.84
Conv 10¼pc 1999		9.97	4.98	[illegible]	-.0312	105.78	102.62
Treas 8pc 2000	‡	8.28	4.85	100.2501	-.0080	103.54	101.81
Conv 9pc 2000		8.65	4.81	104.0081	-.0700	104.59	102.68
Treas 13pc 2000		11.73	4.85	110.8580	-.0645	113.04	110.58
Treas 8pc 2000		7.69	4.86	105.2531	[illegible]	105.84	102.22
Treas Flg Rate 2001		-	-	[illegible]	[illegible]	[illegible]	99.17
Treas 10pc 2001		9.12	4.82	109.6624xd	-.0795	110.37	107.11
Conv 9½pc 2001	‡	8.82	4.85	110.2944	-.0795	110.89	108.73
Conv 9¾pc 2001	‡	8.77	4.85	111.1894	-.0795	111.80	107.59
Treas 7pc 2001		6.63	4.78	105.5525	-.1177	106.51	100.71
Exch 12pc 1999-2	‡	12.00	4.92	100.0000	—	104.33	100.00
Conv 10pc 2002	‡	8.71	4.85	114.8726	-.1500	116.41	110.96
Treas 7pc 2002		6.65	4.78	105.2946	-.1404	106.13	101.42
Conv 9¾pc 2002	‡	8.52	4.83	114.1546	-.1500	115.84	109.76
Treas 9¾pc 2002		8.42	4.81	115.8416xd	-.1500	117.29	111.19
Exch 9pc 2002	‡	7.88	[illegible]	114.2246	-.1503	115.62	109.87
Conv 9¾pc 2003	‡	8.29	4.88	118.9496	-.1593	120.19	112.78
Treas 8pc 2003		7.09	4.69	112.6700	-.1592	114.24	106.56
Treas 10pc 2003		8.24	4.72	121.2676	-.2087	123.82	115.44
Treas 13¾pc 2000-3	‡	12.25	4.86	112.1400	-.0640	115.76	112.14
Five to Fifteen Years							
Treas 6½pc 2003		6.01	4.58	108.2801	-.2199	110.21	100.86
Treas 11½pc 2001-4		10.29	4.67	112.7216	-.1105	113.86	110.80
Treas 10pc 2004	‡	8.63	4.71	124.5166	-.2187	126.25	117.36
Funding 3½pc 1999-4		3.81	4.28	95.8225	-.0625	[illegible]	91.16
Conv 9½pc 2004		7.86	4.85	120.8447	-.1604	126.43	118.33
Treas 6¾pc 2004		6.09	4.54	111.0718	-.1872	[illegible]	102.82
Conv 9½pc 2005		7.57	4.67	125.3085	-.1416	128.18	117.84
Exch 10½pc 2005	‡	7.90	4.67	132.8745	-.1416	135.46	124.50
Treas 12½pc 2003-5		9.40	4.32	133.0226	-.2187	136.68	127.40
Treas 8½pc 2005		6.94	4.80	122.4784	-.1234	125.31	113.85
Conv 9¾pc 2006	‡	7.35	4.88	132.6529	-.1075	136.21	123.61
Treas 7½pc 2006		6.49	4.85	119.4602	-.1289	122.40	109.96
Treas 8pc 2002-6		7.25	4.85	110.2829	-.1346	111.72	104.96
Treas 7¾pc 2006		6.32	4.82	118.6094	-.1127	121.62	108.83
Treas 11¾pc 2003-7	‡	9.41	4.28	124.8020	-.1609	128.28	119.81
Treas 8½pc 2007		6.72	4.55	126.4449	-.1075	129.88	116.17
Treas 7¼pc 2007		6.09	4.59	119.0411	-.0774	122.55	108.18
Treas 13½pc 2004-8	‡	9.65	4.80	139.8557	-.1604	142.81	133.45
Treas 9pc 2008		6.68	4.51	134.7902	-.0814	138.52	122.15
Treas 8pc 2009		6.20	4.48	129.1123	-.0458	132.81	115.28
Treas 5¾pc 2009		5.16	4.39	111.4075	+.0343	114.87	98.36
Treas 6¼pc 2010		5.40	4.50	115.7269	+.1511	118.76	100.98
Conv 9pc Ln 2011		6.35	4.55	141.6855	+.1627	145.31	125.73
Treas 9pc 2012		6.25	4.59	143.9217	+.2225	147.74	128.84
Treas 5½pc 2008-12		5.04	4.52	109.1837	-.0707	112.36	95.19
Treas 8pc 2013		5.68	4.58	[illegible]	+.2159	[illegible]	118.21
Treas 7¾pc 2012-15		5.65	4.62	136.1827	+.1769	133.36	114.45
Over Fifteen Years							
Treas 8pc 2015		5.70	4.64	140.2685	+.2216	144.12	120.57
Treas 8¾pc 2017		5.77	4.57	151.7615xd	+.3107	156.08	129.71
Exch 12pc 2013-17	‡	6.64	4.63	180.7355	+.1837	183.80	158.64
Treas 8pc 2021		5.28	4.51	148.5774	+.3271	153.21	124.06
Treas 6pc 2028		4.73	4.37	126.9321	+.1746	131.17	100.85
Undated							
Consols 4pc		4.79	-	83.4629	+.2500	87.18	62.22
War Loan 3½pc		4.82	-	75.7458	+.2906	78.83	56.88
Conv 3½pc '61 Aft		3.99	-	87.7458	+.2903	95.66	73.08
Treas 3pc '66 Aft		5.02	-	59.7750	-.3250	61.92	45.18
Consols 2½pc		4.56	-	54.7750	-.3250	58.93	40.18
Treas. 2½pc		4.67	-	53.5600	-.2250	55.17	39.60

Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2½pc '99	‡	1.40	2.92	195.5406	-.1262	198.18	189.88
2½pc '01	(78.3)	2.42	2.88	203.0726	-.1202	206.40	198.80
2½pc '03	(78.8)	2.02	2.30	209.5550	-.2532	207.83	193.94
4¾pc '04	(135.6)	1.80	2.02	133.2254	-.1647	134.39	125.16
2pc '06	(69.5)	1.83	1.80	234.3282	-.1400	236.05	203.17
2½pc '09	(78.8)	1.80	1.99	214.5887	-.2526	216.82	188.76
2½pc '11	(74.6)	1.87	1.98	227.6077xd	-.1852	230.17	197.28
2½pc '13	(89.2)	1.91	2.00	191.1541xd	-.1778	183.69	163.75
2½pc '16	(81.6)	1.89	1.97	211.5547	-.0685	214.49	178.67
2½pc '20	(83.0)	1.91	1.97	210.9011	+.0082	213.93	171.58
2½pc '24	(97.7)	1.86	1.92	183.2000	+.0867	185.97	144.27
4⅛pc '30	(135.1)	1.91	1.86	182.2500	+.0559	184.75	142.14

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1998: 163.4 and for January 1999: 163.4.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009		7.28	5.08	140⅞	—	140⅞	128⅞
B'ham 11½pc 2012		7.24	5.48	158¾	...	158¾	142½
Leeds 13½pc 2006		9.00	-	150	—	152	141½
Liverpool 3½pc Irred		4.98	-	70½	—	70½	51
LCC 3pc '20 Aft		5.77	-	52xd	—	59	45
Manchester 11½pc 2007		7.58	4.30	151¾	...	151¾	133½
Met. Wtr 3pc 'B'		3.23	4.85	93xd	—	95	85
N'hold Anglia 3⅞pc IL 2021		-	3.20	186⅞	—	187⅞	172¼
4⅝pc IL 2024		-	3.15	180¼xd	—	187½	158½

‡ "Tap" stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ‡ Indicative price.

Yen falls as policy debate rumbles on

MARKETS REPORT

By Alan Beattie

The yen weakened again yesterday, but the debate continued within the currency markets about how serious the Japanese authorities were about wanting it to fall.

Some have seen the pronouncements from Japanese officialdom this week as evidence of a U-turn in policy towards the yen, which will enable it to break out of its current range and return to levels seen last year.

Others are doubtful how far sceptical officials, especially at the Bank of Japan, have been converted to the cause of debt monetisation and a weaker yen. They see the comments of Eisuke Sakakibara and others as a cynical short-term move to curry favour with the US ahead of this weekend's meeting of the G7.

The yen reached Y118.9 by the close of trading in London yesterday, down from Y118.2 on Tuesday.

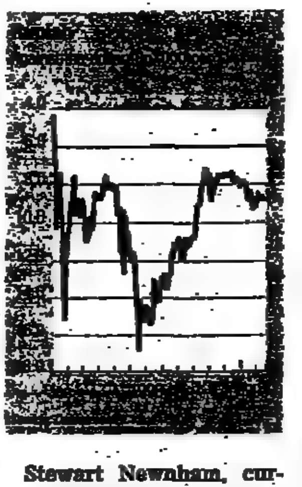
■ Opinion continued to divide over the long-run significance of the yen's weakening over the past couple of days. Some analysts thought that the apparently co-ordinated statements from Japanese officials earlier in the week were deliberately aimed at pushing the currency lower.

"The Bank of Japan and the Ministry of Finance have a strong focus on the technical side of the currency markets," said Michael Petley of the ECU Group in London. "A base pattern has been building in dollar-yen for some time, and the currency was moving into a do-or-die position where it could have broken out either way."

Mr Petley said that the yen was now set for a partial retracement of its rapid rise in October last year. He expected it to reach at least Y127, he added.

But few analysts who had been sceptical of the BoJ's enthusiasm for monetisation and a lower yen had changed their minds as a result of recent events. "This is a temporary U-turn at best," said Paul Meggyesi, currency strategist at Deutsche Bank in London. "The Trust Fund Bureau purchases of JGBs are only promised for two months, and this is clearly an attempt to placate the G7 and reduce the need for Japanese banks to write off losses on JGBs at the end of the fiscal year."

Mr Meggyesi added that the Trust Fund Bureau's plans to buy JGBs were a tacit admission that the BoJ would not.



Stewart Newnham, currency strategist at Commerzbank in London, said that there was a possibility that Sakakibara's comments were part of a BoJ and MoF plan to placate the US at the G7 meeting this weekend by a 10 basis point cut in interest rates and a temporarily cheaper yen.

"But apart from a few young turks, the Japanese government and the BoJ generally remains resistant to monetisation," he said.

■ Asian emerging market currencies were little traded yesterday as lunar new year holidays closed many of the local currency markets.

But the yen's fall this week has restored the focus on the possibility of a Chinese devaluation, with consequent pressure on other currencies in the region.

Of the currencies that were traded yesterday, the Indonesian rupiah rose slightly during the Asian trading session. After falling below Rp9,000 against the dollar at the end of January on renewed social unrest, the rupiah has since clawed back some of its losses, closing at Rp8700 yesterday.

But the prospect of further yen weakness and continued political instability in Indonesia may leave the currency vulnerable to further falls.

■ Conflicting forces kept sterling little moved yesterday.

In the bull corner were the UK labour market data, showing unemployment stubbornly failing to rise despite the slowdown in the economy. On the bearish side were the minutes of the latest monetary policy committee meeting, revealing that all nine members had voted for at least a 50 basis point cut.

Faced with these two pieces of news, the market evidently decided they were equal and opposite and sterling stayed put, closing little changed at $1.636 against the dollar.

■ POUND IN NEW YORK

Feb 17	—Latest—	— Prev. close —
£ spot	1.6345	1.6345
1 mth	1.6337	1.6337
3 mth	1.6330	1.6330
1 yr	1.6348	1.6351

■ OTHER CURRENCIES

Feb 17		£	$
Czech	Rp	55.2271 - 55.4017	33.8330 - 33.8600
Hungary		365.097 - 365.625	223.250 - 223.460
Iran		4905.60 - 4906.10	3000.00 - 3001.00
Kuwait		0.4985 - 0.4995	[illegible] - 0.3037
Peru		5.5322 - 5.5402	3.3830 - 3.3860
Poland		6.2488 - 6.2866	3.8200 - 3.8300
Russia		37.8061 - 37.9106	23.1200 - 23.1700
U.A.E.		6.0088 - 6.0089	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.0378	-0.0673	[illegible]	20.1277	19.9762	19.9886	2.3	19.9268	2.2	19.6138	2.1	102.9
Belgium*	(BFr)	58.7430	-0.1973	164 - 696	59.0070	58.5830	58.6300	2.3	58.4169	2.2	57.4983	2.1	102.7
Denmark	(DKr)	10.8285	-0.0374	[illegible] - 351	10.8708	10.7923	10.8722	1.8	10.7805	1.8	10.652	1.8	106.1
Finland*	(FM)	8.6582	-0.0291	[illegible]	8.6970	8.6320	8.6418	2.3	[illegible]	2.2	8.475	2.1	81.5
France*	(FFr)	9.5521	-0.0321	477 - 564	9.5848	9.5228	[illegible]	2.3	9.4881	2.2	9.3498	2.1	[illegible]
Germany*	(DM)	2.8481	-0.0096	468 - 494	2.8619	2.8382	2.8427	2.3	2.8323	2.2	2.7878	2.1	104.0
Greece	(Dr)	468.168	-2.2720	767 - 575	471.554	466.958	468.821	-3.7	[illegible]	-3.8	485.061	-3.6	69.8
Ireland*	(I£)	1.1468	-0.0038	463 - 474	1.1529	1.1433	1.1447	2.3	1.1406	2.2	1.1229	2.1	94.1
Italy*	(L)	2819.80	-8.4700	[illegible]	2832.28	2810.93	[illegible]	2.3	2808.95	2.2	2759.61	2.1	75.7
Luxembourg*	(LFr)	58.7430	-0.1973	164 - 696	59.0070	58.5830	58.6300	2.3	58.4169	2.2	57.4983	2.1	102.7
Netherlands*	(Fl)	3.2091	-0.0108	076 - 105	3.2234	3.1992	3.2028	2.3	3.1912	2.2	[illegible]	2.1	102.2
Norway	(NKr)	12.6624	+0.0487	540 - 707	12.6792	12.5947	12.688	-2.0	12.7185	-1.8	12.7599	-0.7	91.6
Portugal*	(Es)	291.942	-0.9810	810 - 074	293.260	291.030	291.396	2.3	290.322	2.2	285.782	2.1	92.2
Spain*	(Pta)	242.291	-0.8140	182 - 401	243.380	[illegible]	241.828	2.3	240.946	2.2	237.162	2.1	78.9
Sweden	(SKr)	12.9715	+0.0095	[illegible]	13.0112	12.9106	12.9487	2.1	12.9046	2.1	12.7294	1.9	83.0
Switzerland	(SFr)	2.3271	-0.0099	[illegible]	2.3347	2.3177	2.3198	4.0	2.3037	4.0	2.2425	3.8	107.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.3
Euro	(€)	1.4482	-0.0040	555 - 590	1.4627	1.4511	1.4494	2.3	1.4482	2.2	[illegible]	2.1	-
SDR†	-	1.168800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6358	+0.0023	351 - 365	1.6380	1.6320	-	-	-	-	-	-	-
Brazil	(R$)	3.1497	+0.0370	234 - 579	3.1580	[illegible]	-	-	-	-	-	-	-
Canada	(C$)	2.4504	+0.0016	480 - 278	2.4550	[illegible]	2.4488	0.5	[illegible]	0.3	2.4487	0.1	78.2
Mexico	(New Peso)	16.2240	[illegible]	202 - 475	16.2857	16.1833	16.5256	-21.5	17.1584	-22.7	19.7536	-21.7	-
USA	($)	1.6358	+0.0023	353 - 362	1.6380	1.6322	1.6348	0.7	1.6342	0.4	1.636	0.0	108.5
Pacific/Middle East/Africa													
Australia	(A$)	2.5761	+0.0166	753 - 808	2.5865	2.5619	2.5760	0.7	2.5743	0.5	2.5718	0.2	86.7
Hong Kong	(HK$)	12.6733	+0.0161	[illegible] - 779	12.6860	12.6468	12.6829	-0.9	12.7090	-1.1	12.9975	-2.6	-
India	(Rs)	69.4438	+0.0241	[illegible]	69.6550	69.3080	69.7506	-5.5	70.5880	-6.5	74.9850	-7.9	-
Indonesia	(Rupiah)	14231.05	-21.28	[illegible] - 479	14357.80	13960.20	14685.96	-38.3	15418.5	-33.4	19887.86	-39.5	-
Israel	(Shk)	6.6352	+0.0210	254 - 449	6.6438	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	194.483	+1.4440	[illegible]	[illegible]	192.920	193.676	5.0	192.036	5.0	186.048	4.0	129.5
Malaysia‡	(M$)	6.2159	+0.0276	797 - 846	6.2169	6.2024	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.0432	+0.0076	[illegible] - 450	3.0514	3.0289	3.0398	1.4	3.0337	[illegible]	3.0060	0.4	88.4
Philippines	(Peso)	63.2219	+0.3320	[illegible] - 846	63.5264	62.9315	63.5523	-3.3	64.2862	-3.7	67.9459	-7.5	-
Saudi Arabia	(SR)	6.1353	+0.0089	332 - 374	6.1471	[illegible]	6.1402	-1.0	6.1572	-1.4	6.2587	-1.9	-
Singapore	(S$)	2.7767	+0.0038	743 - 791	2.7822	2.7703	2.7698	3.0	2.7561	3.0	2.7165	2.2	-
South Africa	(R)	10.0640	+0.0257	489 - 790	10.0845	10.0046	10.1482	-0.9	10.2895	-0.7	10.9824	-0.8	-
South Korea	(Won)	1922.01	+2.6500	984 - 417	1924.19	1919.47	-	-	-	-	-	-	-
Taiwan	(T$)	52.9166	+0.1545	202 - 129	53.0326	52.8905	53.1699	-5.7	53.3470	[illegible]	54.1159	-2.3	-
Thailand	(Bt)	[illegible]	+0.1646	733 - 721	60.5810	60.3420	60.5971	-2.4	60.7985	-2.2	62.3695	-3.1	-

† Rates for Feb 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	12.2490	-0.0581	477 - 521	12.2827	12.2151	12.233	1.7	12.1938	1.8	11.9894	2.1	102.6
Belgium*	(BFr)	35.9120	-0.1702	[illegible] - 164	36.0080	35.8100	35.8825	1.7	35.747	1.8	35.1484	2.1	102.6
Denmark	(DKr)	6.6198	-0.0320	189 - 236	6.6378	6.6020	6.6124	[illegible]	6.5989	1.4	6.5114	1.6	105.0
Finland*	(FM)	5.2931	-0.0251	[illegible]	5.3073	5.2761	5.2858	1.6	5.2698	1.8	5.1806	2.1	80.7
France*	(FFr)	5.8396	-0.0277	365 - 408	5.8592	5.8230	5.8316	1.7	5.8128	1.8	5.7154	2.1	105.5
Germany*	(DM)	1.7412	-0.0082	408 - 416	1.7458	1.7362	1.7388	1.7	1.7332	1.8	1.7042	2.1	103.4
Greece	(Dr)	286.210	-1.7650	[illegible]	288.350	285.180	287.25	-4.4	288.31	-4.3	295.51	-3.6	82.5
Ireland*	(I£)	1.4283	+0.0067	[illegible]	1.4304	1.4225	1.4282	-1.5	1.4320	[illegible]	1.4578	-2.2	-
Italy*	(L)	1723.73	-5.1600	343 - 404	1728.35	1718.84	1721.35	1.7	1715.82	1.8	1687.06	2.1	75.3
Luxembourg*	(LFr)	35.9120	-0.1702	[illegible] - 164	36.0080	35.8100	35.8825	1.7	35.747	1.8	35.1484	[illegible]	102.6
Netherlands*	(Fl)	1.9619	-0.0080	616 - 622	1.9671	1.9562	1.9591	1.7	1.9528	1.8	1.9202	2.1	101.9
Norway	(NKr)	7.7410	+0.0197	[illegible]	7.7520	7.6900	7.7577	-2.6	7.7885	-2.2	7.796	-0.7	[illegible]
Portugal*	(Es)	178.476	-0.8468	444 - 509	178.950	177.970	178.23	1.7	177.858	1.8	174.682	2.1	92.8
Spain*	(Pta)	148.123	-0.7620	[illegible] - 149	148.920	147.700	147.919	1.7	147.443	1.8	144.974	[illegible]	76.5
Sweden	(SKr)	7.9300	-0.0051	130 - 350	7.9407	7.8898	7.9202	1.5	7.9067	1.7	7.7812	1.8	82.8
Switzerland	(SFr)	1.4225	-0.0075	221 - 331	1.4285	1.4180	1.4185	3.4	1.4107	3.6	1.3706	3.6	107.5
UK	(£)	1.6358	+0.0023	[illegible]	1.6380	1.6322	1.6348	0.7	1.6342	0.4	1.636	0.0	108.9
Euro	(€)	1.1290	+0.0009	231 - 236	1.1295	1.1260	1.1306	-1.7	1.1287	-1.8	1.1477	[illegible]	-
SDR†	-	0.72590	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.9200	+0.0800	100 - 300	1.9400	1.9000	-	-	-	-	-	-	-
Canada	(C$)	1.4980	-0.0011	975 - 985	1.4990	1.4935	1.4992	-0.1	1.4993	-0.1	1.4980	0.1	78.0
Mexico	(New Peso)	9.9250	-0.0025	200 - 300	9.9300	9.8950	10.106	-22.1	10.4995	-23.1	12.075	-21.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.7
Pacific/Middle East/Africa													
Australia	(A$)	1.5760	+0.0076	746 - 773	1.5825	1.5679	1.5758	0.3	1.5752	0.2	1.5748	0.1	81.3
Hong Kong	(HK$)	7.7477	-0.0008	472 - 482	7.7484	7.7460	7.7577	-1.5	7.7772	-1.5	7.9452	-2.5	-
India	(Rs)	42.4538	-0.0437	500 - 575	42.5200	42.4470	42.6701	-6.1	43.1550	-6.9	45.7988	-7.8	-
Indonesia	(Rupiah)	8700.00	-25.00	000 - 000	8780.00	8541.00	8910	-29.0	9438	-33.8	11360	-30.5	-
Israel	(Shk)	4.0564	+0.0073	515 - 612	4.0665	4.0425	-	-	-	-	-	-	-
Japan	(Y)	118.895	+0.7267	[illegible]	119.200	118.000	118.485	4.3	117.508	4.7	113.11	4.9	131.6
Malaysia‡	(M$)	3.8000	-	300 - 300	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8596	+0.0027	580 - 615	1.8625	1.8515	1.858	1.2	1.8532	0.8	1.8507	0.2	-
Philippines	(Peso)	38.6500	+0.1850	000 - 000	[illegible]	38.4500	38.8725	-6.9	39.3385	-7.1	41.594	-7.5	-
Saudi Arabia	(SR)	3.7506	+0.0003	785 - 310	3.7518	3.7502	3.7556	-1.6	3.7678	-1.8	3.8228	-1.9	-
Singapore	(S$)	1.6975	-	965 - 985	1.6990	1.6960	1.6941	2.4	1.6885	2.6	1.6605	2.2	-
South Africa	(R)	6.1525	+0.0072	450 - 600	6.1625	6.1175	[illegible]	-10.4	6.307	-10.0	6.695	-8.8	-
South Korea	(Won)	1175.00	-	400 - 600	-	-	-	-	-	-	-	-	-
Taiwan	(T$)	32.3500	+0.0800	400 - 000	32.4500	32.2300	32.52	-6.3	32.645	-3.8	33.06	-2.3	-
Thailand	(Bt)	36.9700	+0.0500	200 - 000	37.0500	36.9100	37.065	-3.1	37.205	-2.5	38.12	-3.1	-

† SDR rate per $ for Feb 11. ‡ Official rate set by Malaysian government. [illegible] Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Feb 11 : Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Feb 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	3⅛	3⅛	3⅛	3	3	-	3.00	3.00
Switzerland	1⅛	1⅛	1⅛	1⅛	1¼	-	1.00	-
US	4⅝	4⅝	4⅝	5	5⅛	-	4.50	-
Japan	⅛	⅛	⅛	⅛	¼	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	4⅞	5	5⅛	5¼	-	-	-
US Dollar CDs	-	4.75	4.79	4.81	4.90	-	-	-
Euro Linked Ds	-	3⅛	3⅛	3⅛	3⅛	-	-	-
SDR Linked Ds	-	3⅝	3¼	3⅛	3⅛	-	-	-
BBA Euro Libor	-	3⅛	3⅛	3⅛	3⅛	-	-	-
Euro Euribor	-	3.088	3.085	3.040	[illegible]	-	-	-
EONIA	3.03	-	-	-	-	-	-	-
EURONIA	3.0198	-	-	-	-	-	-	-

London interbank fixing rate (£LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Feb 17	Short term	7 days notice	One month	Three months	Six months	One year
Euro	3¼ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 2⅞	3⅛ - 2⅞
Danish Krone	3⅝ - 3⅜	3⅜ - 3⅜	3⅜ - 3¼	3⅜ - 3⅜	3⅜ - 3¼	3⅛ - 3⅜
Sterling	5¾ - 5¾	5¾ - 5⅝	5¾ - 5⅝	5⅝ - 5½	5⅜ - 5¼	5⅛ - 5⅛
Swiss Franc	1½ - 1	1¼ - 1⅛	1⅛ - 1⅛	1¼ - 1⅛	1⅜ - 1⅛	1⅜ - 1¼
Canadian Dollar	5 - 4¾	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5
US Dollar	4⅞ - 4⅝	4⅞ - 4¾	4⅞ - 4¾	5⅛ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛
Japanese Yen	⅛ - ⅛	¼ - ⅛	¼ - ⅛	¼ - ⅛	¼ - ⅛	⅛ - ⅛
Asian $Sing	¼ - ⅛	5 - 3	3⅛ - 1⅞	2⅞ - 1⅞	2⅞ - 1⅞	3⅛ - 2⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.965	96.965	0.000	96.970	96.960	5,088	36,498
Jun	97.060	97.070	+0.010	97.070	97.055	5,290	23,754

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.975	96.985	+0.015	96.990	96.960	[illegible]	144770
Jun	97.070	97.080	[illegible]	97.085	97.055	48090	[illegible]
Sep	97.110	97.110	+0.010	97.115	97.080	57321	72628
Dec	96.840	96.850	+0.015	96.860	96.810	27082	73586

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.965	96.985	+0.015	96.990	96.965	48069	160682
Jun	97.065	97.080	+0.015	97.070	97.055	23762	125742
Sep	97.100	97.110	+0.010	97.100	97.080	32859	[illegible]
Dec	96.840	96.850	+0.015	96.840	[illegible]	20116	99272

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Mar	Jun	Sep	Dec	PUTS Mar	Jun	Sep	Dec
96875	0.190				0.010			
97000	0.055	0.150	0.210	0.150	0.070	0.070	[illegible]	0.300
97125	0.015				0.155			
97250	0.005	0.050	0.100	0.075	0.270	0.220	0.340	0.475

Est. vol. total, Calls 84729 Puts 28184. Previous day's open int., Calls 108736 Puts 51817

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Mar	Jun	Sep	Dec	PUTS Mar	Jun	Sep	Dec
96875								
97000	0.120	0.210	0.160	0.245	0.040	0.100	0.300	0.225
97125								
97250*	0.030	0.100	0.075	0.130	0.260	0.240	0.475	0.360

Est. vol. total, Calls 8593 Puts 21610. Previous day's open int., Calls 343220 Puts 170606

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.690	98.700	+0.010	98.700	98.670	7270	[illegible]
Jun	98.620	98.600	-	98.620	[illegible]	5985	67113
Sep	98.490	98.490	+0.010	[illegible]	98.470	2856	33972
Dec	98.170	98.180	-	98.180	98.170	1477	18125

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.81	+0.02			0	n/a
Jun		99.70	+0.01			0	n/a
Sep		99.67	+0.01			0	n/a

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
98750	0.080	0.110	0.130	0.110	0.250	0.360
98875	0.020			0.195		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3880 Puts 2112

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.48	16.26	4.848	1.952	4800	5.463	21.56	497.0	412.5	22.08	[illegible]	1.702	4.171	2.785	331.1	2.479
Denmark	(DKr)	54.26	10	[illegible]	2.630	1.059	2604	2.963	11.69	269.6	223.8	[illegible]	2.149	0.923	2.263	1.511	179.6	1.345
France*	(FFr)	61.50	11.34	10	2.982	1.201	2952	3.360	13.26	305.6	253.7	13.58	2.436	1.047	2.565	1.712	203.6	1.525
Germany*	(DM)	[illegible]	3.802	3.354	1	0.403	990.0	1.127	4.446	102.5	85.07	4.554	0.817	0.351	0.860	0.574	68.29	0.511
Ireland*	(I£)	51.22	[illegible]	8.329	[illegible]	1	2459	2.798	11.04	254.5	211.3	11.31	2.029	0.872	2.137	1.428	169.8	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.449	10.35	8.593	0.460	0.083	[illegible]	0.087	0.058	6.898	0.052
Netherlands*	(Fl)	18.31	3.374	2.977	0.888	0.357	878.6	1	3.945	90.97	75.50	4.042	0.725	0.312	0.764	0.510	60.60	0.454
Norway	(NKr)	46.39	8.552	7.544	2.249	0.906	2227	2.534	10	230.6	191.3	10.24	1.836	0.790	[illegible]	1.292	153.6	1.150
Portugal*	(Es)	20.12	3.709	3.272	0.976	0.393	965.8	1.099	4.337	100	82.99	4.443	0.797	0.343	0.839	0.560	66.62	[illegible]
Spain*	(Pta)	24.24	4.469	3.942	1.176	0.473	1164	1.324	5.226	120.5	100	5.354	0.960	0.413	1.011	0.675	80.27	0.601
Sweden	(SKr)	45.29	8.348	7.364	2.196	0.884	2174	2.474	9.762	225.1	186.8	10	1.794	0.771	1.889	1.261	149.9	1.122
Switzerland	(SFr)	25.24	4.653	4.105	1.224	[illegible]	1212	1.379	5.441	125.5	104.1	5.574	1	0.430	1.053	0.703	83.58	0.626
UK	(£)	58.74	10.83	9.552	2.848	1.147	2820	3.209	12.66	291.9	242.3	12.97	2.327	1	2.450	1.636	194.5	1.456
Canada	(C$)	[illegible]	4.419	3.898	1.162	0.468	1151	1.310	5.168	119.1	98.88	5.294	0.950	0.408	1	0.668	79.37	0.594
USA	($)	35.91	6.620	5.840	1.741	0.701	1724	1.962	7.741	178.5	148.1	7.930	1.423	0.611	1.498	1	118.9	0.890
Japan	(Y)	30.20	5.566	4.912	1.464	0.590	1450	1.650	6.511	150.1	124.6	6.670	1.197	0.514	1.260	0.841	100	0.749
Euro	(€)	40.34	7.436	6.560	1.956	0.788	1936	2.204	8.696	200.5	166.4	8.908	1.599	0.687	1.683	1.123	133.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5739	0.5754	+0.0017	0.5769	0.5734	11,087	59,113
Jun	0.5786	0.5783	+0.0018	0.5787	0.5781	35	1,860
Sep	-	0.5795	-	-	-	1	167

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8458	0.8435	-0.0013	0.8508	0.8422	[illegible]	65,322
Jun	0.8567	0.8533	-0.0017	0.8558	0.8532	301	5,161
Sep	-	0.8656	-	-	-	25	1,496

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7085	0.7082	+0.0027	[illegible]	0.7088	13,594	59,083
Jun	0.7130	0.7130	+0.0029	0.7130	0.7123	98	546
Sep	-	0.7190	+0.0024	0.7190	-	2	260

■ STERLING FUTURES (CME) $62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6336	1.6354	+0.0034	1.6368	1.6312	7,134	34,032
Jun	1.6350	1.6370	+0.0044	1.6370	1.6326	91	1,873
Sep	-	1.6358	+0.0032	1.6350	1.6290	260	230

UK INTEREST RATES

LONDON MONEY RATES

Feb 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 4¾	5¾ - 5½	5⅝ - 5½	5¾ - 5⅝	5⅜ - 5¼	5¼ - 5⅛
Sterling CDs	-	-	5⅝ - 5½	5⅝ - 5½	5⅜ - 5¼	5⅛ - 5⅛
Treasury Bills	-	-	5⅜ - 5¼	5¼ - 5⅛	-	-
Bank Bills	-	-	5⅜ - 5¼	5¼ - 5⅛	-	-
Local authority deps.	5¼ - 5⅛	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅜ - 5⅜	5⅛ - 5⅛
Discount Market deps	5½ - 5¼	5⅝ - 5½	-	-	-	-

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	5.5	5.5	5.25	5.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Feb 12, 5.0087pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 29, 1999. Agreed rate for period Feb 24, 1999 to Mar 23, 1999, Scheme III 7.19pc. Reference rate for period Jan 1, 1999 to Jan 29, 1999, Scheme IV & V 5.929pc. Finance House Base Rate 6.5pc for Feb 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.680	94.660	-	94.700	94.640	29583	187397
Jun	94.930	94.915	-0.015	94.980	94.880	47764	198105
Sep	95.050	95.010	-0.030	95.070	94.980	36942	184764
Dec	94.850	94.780	-0.060	94.870	94.770	15108	143588
Mar	95.030	94.950	-0.070	95.050	94.920	23283	130198

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
94500	0.180	0.445	0.580	0.020	0.030	0.070
94625	0.090			0.055		
94750	0.045	0.255	0.380	0.135	0.080	0.130
94875	0.020			0.235		
95000	0.005	0.120	0.240	0.345	0.285	0.230
95125	0			0.465		

Est. vol. total, Calls 19632 Puts 23777. Previous day's open int., Calls [illegible] Puts [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Feb 17	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	322.80	-0.4	-8.61	8.29	58
Denmark	7.46038	7.4361	+0.0004	-0.34	8.00	2
NON ERM MEMBERS						
UK	0.703644	0.69730	[illegible]	5.15	-5.22	-

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Euro central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. (17/9/92) Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.620	1.97	2.51	2.96	0.73	1.42	1.88
1.630	1.27	1.98	2.41	1.11	1.87	2.34
1.640	0.67	1.58	2.05	1.61	2.37	2.83

Previous day's vol., Calls [illegible] Puts 116 . Prev. day's open int., Calls [illegible] Puts 1,[illegible]

■ PHILADELPHIA SE D-MARK OPTIONS DM62,500 (¢ per DM)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
0.575	0.40	0.73	0.95	0.57	0.82	0.96
0.580	0.23	0.52	0.73	0.87	1.11	1.24
0.585	0.15	0.37	0.55	1.28	-	1.57

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 384 Puts 3,282

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.96	94.96	+0.01	94.99	94.95	55,818	443,869
Jun	94.92	94.94	+0.03	94.94	94.88	88,215	484,712
Sep	94.85	94.88	+0.04	94.88	94.81	123,503	430,170

■ US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	-	95.53	-0.01	-	-	86	2,457
Jun	95.52	95.63	-0.03	95.58	95.52	5	767

All Open interest figs. are for previous day

BASE LENDING RATES

	%
Adam & Company	5.50
Allied Irish Bank (GB)	5.50
●Henry Ansbacher	5.50
Banco Bilbao Vizcaya	5.50
Bank of Cyprus	5.50
Bank of Ireland	5.50
Bank of India	5.50
Bank of Scotland	5.50
Barclays Bank	5.50
Brit Bk of Mid East	5.50
●Brown Shipley & Co Ltd	5.50
Citibank NA	5.50
Clydesdale Bank	5.50
The Co-operative Bank	5.50
Coutts & Co	5.50
Cyprus Popular Bank	5.50
Duncan Lawrie	5.50
Exeter Trust Limited	6.00
●Robert Fleming & Co	5.50
Habib Bank AG Zurich	5.50
Heritable & Gen Inv Bk	5.50
C. Hoare & Co	5.50
●SG Hambros Bank & Trust	5.50
Hongkong & Shanghai	5.50
Investec Bank (UK) Ltd	5.50
Julian Hodge Bank	5.50
●Leopold Joseph & Sons	5.50
Lloyds Bank	5.50
Midland Bank	5.50
NatWestminster	5.50
●Rea Brothers	5.50
Royal Bk of Scotland	5.50
Scottish Widows Bank	5.50
●Singer & Friedlander	5.50
Smith & Williamson	5.50
Sun Bank	5.50
TSB	5.50
United Bank of Kuwait	5.50
Unity Trust Bank Plc	5.50
Whiteaway Laidlaw	5.50
Yorkshire Bank	5.50

● Members of London Investment Banking Association

Futures price index drops to 24-year low

MARKETS REPORT

By Paul Solman and Gillian O'Connor

World commodity markets showed renewed signs of weakness yesterday as crude oil prices slipped below $10 a barrel in London and the broad-based Bridge/CRB Futures Price Index fell to a new 24-year low.

In late trading on London's International Petroleum Exchange the benchmark April contract for Brent crude oil was $10.16, having dipped to $9.90 at one stage in the day. Tuesday's close was $10.05.

In the absence of any fundamental market news, traders appeared to be waiting for the weekly inventory figures from the American Petroleum Institute. The figures were expected to show a build-up in stocks in the wake of last week's unexpected draw-down.

The Bridge/CRB index, a basket of futures prices from the main commodity sectors, stood at 184.32 late yesterday, having closed at 184.33 on Tuesday, its lowest since June 16 1975.

Analysts said the performance of the index – which includes livestock, coffee, cocoa, sugar, grains, energy, and base and precious metals – reflected the widespread torpor in commodity prices, which are still suffering from weak demand as a result of the financial crises in Asia and Russia.

Oversupply in sectors such as base metals and sugar is also keeping prices low, while currency devaluations such as in Brazil have led to market fears that commodity exports will rise, boosting supplies still further.

Base metals had a slightly better day on the London Metal Exchange, but traders remained gloomy. The firming in prices at the beginning of the month – which had translated into gains in mining shares – was seen as yet another false dawn, and mining shares slipped back along with the metal prices.

Nickel, lead and zinc prices are all higher than they were at the start of the year, but are finding it hard to make headway while the dominant metals, copper and aluminium, remain depressed.

On the London bullion market the silver price was fixed lower, following the sharp sell-off in New York the previous day. But both silver and gold markets remained relatively quiet.

World Gold Council figures released yesterday show total demand for 1998 was 2,712 tonnes, 11 per cent below the record set in 1997. The main cause of the fall was the spate of Asian sales in the first quarter. Thereafter demand picked up and fourth-quarter demand was a record for any three-month period at 807m tonnes.

Strong markets in the US, Brazil and Mexico and a steady performance in the Middle East more than offset the continuing impact of the economic and currency crises in several Asian countries.

On the London International Financial Futures and Options Exchange, robusta coffee futures rose slightly. The most actively traded March contract ended up $5 from Tuesday's close at $1,743 a tonne, while May was unchanged at $1,650 a tonne. May cocoa closed up $5 at $904 a tonne.

India to rely more heavily on oil imports

By Mark Nicholson in New Delhi

India's dependence on imported oil will rise to 70 per cent of its needs from 60 per cent within five years on current demand and production trends, according to estimates in the government's latest five-year plan.

The plan, prepared by India's planning commission to guide policy and state investment, says demand for petroleum products will rise from 83.73m tonnes this year to 104.8m tonnes by 2002.

Domestic production, however, is expected to remain flat over the period, rising from 34.42m tonnes this year only to 36.98m tonnes.

The plan's authors warn that on likely trends India will face severe balance of payments pressures, given an expected 5.8 per cent annual rise in demand for petroleum products to 2002. Expectations remain modest for further oil discoveries in India, which has only 0.04 per cent of the world's known hydrocarbon reserves.

The report notes a slide in India's replacement ratio – the measure of new found reserves relative to depletion – which has slipped below 1, indicating India is running down its proven oil reserves. While planners five years ago expected ONGC and OIL, India's two main state-owned upstream operators, to discover up to 1.3bn tonnes of additional hydrocarbon reserves, actual discoveries have amounted only to 700m tonnes.

The two are expected to add 885m tonnes of oil and gas reserves by 2002, according to the plan document, which suggests a further 200m tonnes may arise from exploration blocks recently awarded to private oil companies.

The document nevertheless suggests India's replacement ratio will remain between 0.73 and 1 over the period, suggesting reserve depletion will continue. India currently has known reserves of 732m tonnes of crude oil and 660bn cubic metres of natural gas.

India's reliance on imported oil has grown markedly since the mid-1980s, when the country produced up to 70 per cent of its needs. This reliance is partly a result, say the plan's authors, of the increasing oil intensity of India's economy.

It notes that the share of transport-related fuel products, including diesel and petroleum spirit, rose from 54 per cent of India's energy consumption in 1970 to 70 per cent in 1996-97.

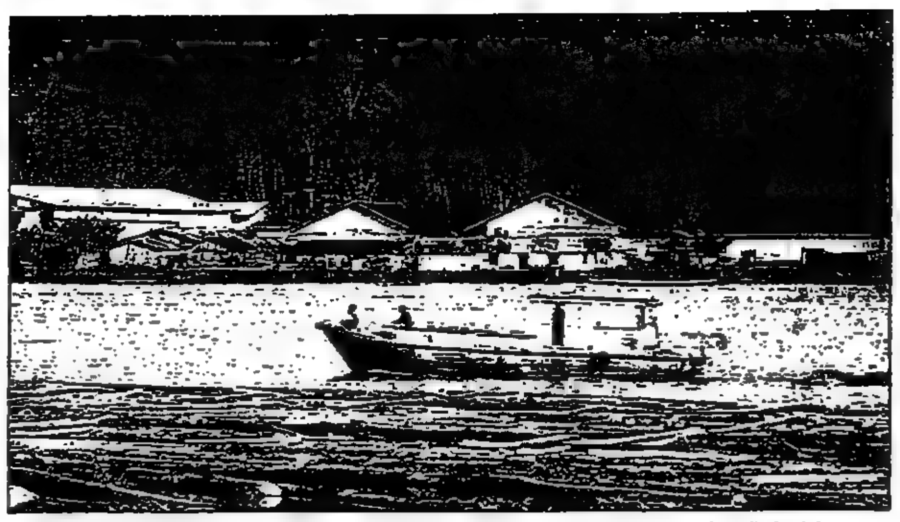
"If these trends continue, they will give rise to severe balance of payments problems, since all these products, except motor spirit, in addition to crude oil are imported at the margin," says the document.

The plan's authors make a range of recommendations to help shore up India's increasingly vulnerable energy sector, including offering further fiscal incentives to those already contained in the New Exploration and Licensing Policy, launched more than a year ago to a disappointing response.

Recommendations also include accelerating domestic exploration, particularly in frontier areas such as the north-eastern states, having Indian oil companies acquire equity oil from participation in overseas blocks, improving reservoir management and further deregulation of administered petroleum product prices to encourage further foreign and private investment.

Falling rupiah gives pulp producers hollow victory

A slump in demand and mounting debts have eaten up much of the foreign exchange gain on exports, writes **Sander Thoenes**



Logjam: rapid expansion has left Indonesia's big three pulp and paper producers heavily in debt

The collapse of the rupiah has enabled Indonesia's pulp and paper producers to beat competitors by a wide margin but mounting debt, social unrest and an economic crisis have meant the victory is rather hollow.

A steady slide in world prices for pulp to around $460 a ton, has forced North American and Scandinavian producers to shut down or reduce capacity, but not Indonesia.

Asia Pulp & Paper, Indonesia's largest producer, with 2m tons of pulp and 4.2m tons of paper and packaging capacity, saw pulp production costs drop from $290 to less than $100 a ton as the rupiah lost a third of its value.

Asia Pacific Resources International, its largest competitor, put its current cost at $98 a ton. Costs were even lower when the rupiah hit lows of Rp17,000 to the dollar compared with Rp8,600 now.

"There is a huge cost advantage for Indonesian producers," said Tom Inglis, analyst with ING Barings in Singapore. "The Brazilians are starting to enjoy the same advantage but not as much as the Indonesians."

A slump in demand in Asia, however, has limited the opportunities for boosting market share, while rapid expansion has left Indonesia's three big producers heavily in debt, with loans in dollars eating up much of the foreign exchange gain on exports.

They are operating in a country where banks are collapsing, affiliated companies are going broke, law and order is breaking down and a new government is implementing economic reforms that affect their business.

APP's problems involve a bitter dispute with an equipment supplier and a cash-flow crunch that partly reflects the high cost of interest on debt. One APP subsidiary alone, Indah Kiat, has gross debt of $2.5bn.

While APP has remained current on principal and interest, Asia Pacific has failed to pay principal and part of its interest payments and is struggling to persuade creditors to reschedule more than $600m due this year and last.

Asia Pacific has also been much more affected by the political turmoil in Indonesia. It spun off its former flagship Indorayon earlier this month in an effort to limit the effects on the holding company of a conflict with neighbouring villagers over alleged pollution.

Indorayon, which is listed in New York, used to account for Asia Pacific's sales but protesters last year forced it to shut down by blocking supply routes.

By the third quarter Indorayon resumed operations but represented only 20 per cent of Asia Pacific's sales and 4 per cent of gross profits, according to Karin Bishop, Asia Pacific investor relations officer.

Indorayon is awaiting a government audit, which may lead to closure of the plant if officials agree with complaints that it has polluted the environment.

Asia Pacific planned to expand paper production at its Riaupaper mill but Tom Blackburn, its chief financial officer, said rising political risk barred a planned Finnish export credit for two paper machines.

Its partner, UPM-Kymmene, said earlier this month it was renegotiating joint projects with Asia Pacific, raising concern that the alliance may fizzle out altogether.

Kiani Kertas, a new pulp mill, has barely been operational because of faulty equipment. It faces high debt and low ratings with domestic banks after the fall from grace of its main backer, Bob Hasan, along with his patron, former president Suharto. Mr Hasan offered the plant to the government in payment of separate debts but officials declined and left Kiani looking for a new investor.

A fourth mill, owned by timber company Barito Pacific, is late in starting up and burdened by financial troubles of its sponsor as well. Other projects are on hold because of Indonesia's crisis and because new plantations involve new plantings rather than cutting existing forests, increasing start-up costs.

APP, Asia Pacific and Barito also face a new challenge from the forestry ministry, which has said it will limit ownership of plantations to 100,000 hectares a province.

Prisca Deassy, investor relations officer of APP, does not expect this to affect current pulp producers but she said APP may offer to share revenues with local co-operatives, which are being promoted by the new government. All the large producers were closely affiliated with Mr Suharto and face a backlash against the conglomerates that mushroomed under his reign.

"I don't think the government will jeopardise our business," Ms Deassy said. "Our dollar income means dollar income for the government as well."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1188-7	1190.5-1.5
Previous	1163.5-64.5	1189-90
High/low		n/a
AM Official	1170.5-71.5	1193.5-4.5
Kerb close		n/a
Open int.	296,257	
Total daily turnover	57,035	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1005-10	1036-8
Previous	1010-15	1038-40
High/low		n/a
AM Official	1005-6	1032-5
Kerb close		n/a
Open int.	7,596	
Total daily turnover	6,286	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	523-4	526.5-7.0
Previous	520-1	524-5
High/low		n/a
AM Official	523-4	526-7
Kerb close		n/a
Open int.	38,668	
Total daily turnover	10,316	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4475-85	4550-55
Previous	4410-20	4485-90
High/low		n/a
AM Official	4460-65	4535-40
Kerb close		n/a
Open int.	73,056	
Total daily turnover	13,150	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5240-50	5185-90
Previous	5165-75	5135-40
High/low		n/a
AM Official	5230-40	5165-70
Kerb close		n/a
Open int.	21,107	
Total daily turnover	4,597	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1028.5-9.5	1044-5
Previous	1009-10	1026-27
High/low		n/a
AM Official	1030.5-1.5	1046-46.5
Kerb close		n/a
Open int.	100,321	
Total daily turnover	32,484	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1383-4	1412-3
Previous	1392-93	1422-23
High/low		n/a
AM Official	1391-92	1421-2
Kerb close		n/a
Open int.	196,703	
Total daily turnover	60,133	

■ LME AM Official £/$ rate: 1.6384
LME Closing £/$ rate: n/a

Spot: 1.6341 3 mths: 1.6326 6 mths: 1.6325 9 mths: 1.6329

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	62.55	+0.15	63.10	62.50	241	440
Mar	62.75	+0.20	63.45	62.65	19,789	32,624
Apr	63.20	+0.20	63.70	63.30	245	2,380
May	63.65	+0.20	64.25	63.60	5,909	10,561
Jun	63.95	+0.20	64.50	64.00	51	1,482
Jul	64.40	+0.20	65.00	64.50	799	7,090
Total					27,898	70,946

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	284.90-285.40		
Opening	285.20-285.70		
Morning fix	285.350	174.547	253.983
Afternoon fix	285.750	174.810	253.887
Day's High	286.10-286.60		
Day's Low	284.60-285.10		
Previous close	285.00-285.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.17 6 months 3.99
2 months ....4.14 12 months 3.62
3 months 4.14

Silver Fix	p/troy oz.	US cts equiv.
Spot	329.156	538.500

Silver Lending Rates

1 month ....4.50 6 months 4.00
2 months ....4.00 12 months 3.00
3 months 4.00

Gold Coins	$ price	£ equiv.
Krugerrand	290-294	177-179
New Sovereign	68-72	41-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	285.9	-1.0	287.1	286.1	75	986
Mar	285.7	-1.1	-	-	100	102
Apr	286.3	-1.1	287.9	280.1	55,202	101,0[illegible]
Jun	288.2	-1.1	289.6	287.8	398	25,072
Aug	290.1	-1.1	290.6	290.6	19	6,752
Oct	292.0	-1.1	293.6	290.1	32	2,634
Total					56,091	166,713

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	365.4	-1.8	367.2	363.5	2,775	10,919
Jul	366.6	-2.3	369.0	365.0	35	1,843
Oct	368.6	-2.5	370.5	367.3	21	1,091
Total					2,832	13,857

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	344.10	-5.90	349.50	342.00	182	2,114
Jun	337.10	-3.90	341.50	336.00	86	520
Sep	331.10	-3.90	341.00	333.00	-	131
Total					268	3,171

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	540.6	-3.7	-	-	21	10
Mar	540.8	-3.7	547.5	534.5	24,840	82,212
May	542.5	-2.3	547.0	537.0	5,125	17,276
Jul	541.8	-3.2	546.5	540.0	778	11,633
Sep	541.4	-2.9	544.0	544.0	94	4,044
Dec	539.4	-2.8	547.0	537.0	1,341	6,958
Total					31,899	98,123

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	11.56	+0.18	11.60	11.26	59,561	66,592
Apr	11.66	+0.17	11.79	11.37	53,278	107,2[illegible]
May	11.82	+0.18	11.85	11.53	11,924	59,553
Jun	11.95	+0.17	11.97	11.70	9,241	45,580
Jul	12.15	+0.23	12.15	11.90	1,573	24,517
Aug	12.14	+0.08	12.17	12.01	1,915	18,615
Total					142,332	551,346

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	10.16	+0.11	10.19	9.92	10,[illegible]	76,720
May	10.36	+0.12	10.39	10.10	2,871	43,809
Jun	10.52	+0.09	10.54	10.30	1,[illegible]	34,[illegible]
Jul	10.73	+0.11	10.73	10.53	691	13,802
Aug	10.92	+0.14	10.90	10.71	449	5,802
Sep	11.01	+0.08	11.01	10.88	188	4,644
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	29.95	+0.43	30.05	29.20	10,709	37,715
Apr	30.55	+0.44	30.60	29.90	15,802	29,[illegible]
May	30.75	-0.01	31.10	30.60	1,721	15,102
Jun	31.85	+0.44	31.90	31.30	3,209	14,028
Jul	32.50	-	32.75	32.30	465	12,047
Aug	33.40	+0.24	33.40	33.30	690	10,071
Total					44,727	162,748

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	94.50	+3.25	94.50	90.75	6,088	38,175
Apr	95.00	+2.75	95.00	91.75	3,145	19,8[illegible]
May	96.50	+2.25	98.00	93.50	480	11,000
Jun	98.50	+1.75	98.50	96.00	328	10,541
Jul	100.75	+1.50	100.75	98.75	436	4,580
Aug	103.25	+1.25	103.50	101.25	550	5,713
Total					11,080	129,613

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	9.460	-0.010	9.460	9.420	395	5,645
Apr	9.220	+0.020	-	-	-	3,660
Total					725	28,245

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	1.785	-0.010	1.800	1.775	25,905	53,761
Apr	1.810	-0.011	1.820	1.800	9,335	34,057
May	1.840	-0.011	1.850	1.830	2,982	16,879
Jun	1.865	-0.009	1.875	1.860	1,054	16,378
Jul	1.885	-0.012	1.900	1.880	938	15,310
Aug	1.910	-0.014	1.925	1.910	888	11,463
Total					47,107	374,574

■ UNLEADED GASOLINE
NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	33.55	+0.63	33.75	32.55	16,001	31,106
Apr	36.[illegible]	+0.52	36.75	35.80	9,270	25,058
May	37.85	+0.39	38.05	37.30	3,609	18,475
Jun	38.85	+0.37	38.85	38.40	2,034	14,216
Jul	39.55	+0.37	39.55	39.10	478	14,832
Aug	39.70	-	39.70	39.50	245	3,177
Total					32,182	114,485

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	71.90	+0.40	72.10	71.90	35	812
May	73.30	+0.45	73.60	73.25	50	3,326
Jul	75.25	+0.55	75.80	75.05	118	[illegible]
Sep	73.90	+0.50	-	-	-	193
Nov	75.50	+0.50	75.75	75.50	89	2,088
Jan	77.50	+0.50	77.50	77.50	20	403
Total					380	7,826

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	254.75	+2.50	255.00	247.00	14,477	52,017
May	265.50	+2.75	266.00	258.00	7,804	30,831
Jul	275.00	+2.75	275.50	268.00	7,192	40,829
Sep	285.75	+2.75	286.00	278.25	1,032	3,911
Dec	299.00	+2.50	299.00	292.00	1,411	5,444
Mar	307.00	+1.75	304.00	303.00	357	816
Total					32,276	133,675

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	213.50	-0.50	214.25	212.00	34,167	127,430
May	219.25	-0.50	220.25	218.00	14,124	83,663
Jul	224.75	-0.50	225.50	223.25	8,375	76,371
Sep	231.00	-0.75	232.00	230.50	681	19,082
Dec	239.25	-0.25	240.00	238.00	4,804	46,238
Mar	247.00	-0.25	247.50	246.25	272	5,290
Total					62,225	363,8[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	76.00	-0.50	75.50	74.75	24	139
May	78.25	-0.75	77.00	77.00	10	165
Sep	74.25	-	-	-	-	35
Nov	76.50	-	-	-	-	256
Jan	78.60	-	-	-	-	20
Total					34	603

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	486.25	-1.50	489.00	483.50	21,341	58,602
May	491.75	-1.00	493.75	488.50	4,911	37,268
Jul	499.25	-0.50	500.50	495.00	5,625	35,959
Aug	501.50	-0.50	502.00	498.50	987	11,044
Sep	502.50	-1.00	503.50	500.00	573	4,234
Nov	511.25	+0.25	512.00	507.00	2,020	23,154
Total					35,433	171,820

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	20.05	-0.37	20.42	20.03	6,007	42,668
May	20.29	-0.39	20.65	20.26	4,777	34,797
Jul	20.53	-0.38	20.88	20.51	1,988	22,865
Aug	20.70	-0.35	20.88	20.70	120	6,012
Sep	20.80	-0.36	21.16	20.85	311	5,786
Oct	20.85	-0.35	21.05	20.90	185	3,247
Total					14,443	132,08[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	128.4	-0.2	128.5	127.5	10,147	37,088
May	128.7	+0.3	129.2	127.6	4,261	31,750
Jul	131.3	+0.9	131.5	130.0	3,287	30,016
Aug	133.0	+1.8	133.0	131.8	332	9,728
Sep	134.6	+1.3	134.5	133.3	218	8,361
Oct	135.5	+0.8	135.7	134.7	92	3,371
Total					19,818	130,608

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	236.0	-	-	-	-	-
Apr	279.5	+1.5	281.0	270.5	17	2,027
May	298.0	+5.0	298.0	290.0	-	-
Jun	308.0	+5.0	-	-	-	-
Nov	90.0	-	-	-	-	-
Total					22	2,077

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	836	-4	836	835	15	185
Mar	900	-3	900	885	23	309
Apr	950	-	950	940	19	1,010
Jul	850	+10	850	850	14	692
Oct	955	+5	955	955	5	373
Total					81	2,421

	Close	Prev
BFI	825	821

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	394.50	-1.00	394.50	394.00	17	365
Jun	416.25	-	417.00	416.25	17	281
Total						

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds from Kenniko London. $ per m/t. Iranian pistachios 28/30 Raw (in shell) naturally opened (round): Crop 1998: 28/30 at 2700/mt, FCA Europa, 20/22 at 3500/mt FCA Europa. All prices subject aflatoxin passage. 80 per cent RPPC goods have passed. Turkish hazelnuts 13/15 + 11/13, crop subject 1998 indication 4,200 CFR. Market uneasy due Turkish currency. Indian cashews crop 1998 CFR from top shippers: W320 at 5600, W240 at 6500. Market steady. US almonds Standard 5 per cent, crop 1998 at 3500. Indication for crop 1999 at 3250 FAS for St. 5 per cent. All FAS. Moldovian Walnuts crop 98 Light Halves and Pieces at 3750/mt CFR MEP (Duty Paid).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	918	-2	943	905	4,579	35,366
May	904	+5	900	902	9,464	45,884
Jul	917	+3	941	913	1,509	13,305
Sep	932	+3	952	927	2,035	30,336
Dec	951	+1	969	953	1,796	24,520
Mar	971	-	[illegible]	976	334	17,410
Total					21,697	190,764

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1297	+17	1300	1286	416	4,823
May	1310	+9	1322	1304	4,185	37,581
Jul	1334	+8	1346	1330	324	10,262
Sep	1362	+6	1372	1360	166	5,460
Dec	1389	+6	1408	1389	21	5,265
Mar	1437	+6	1439	1436	82	6,328
Total					5,113	71,119

■ COCOA (ICCO) (SDR's/tonne)

Feb 16	Price	Prev. day
Daily	1022.98	1001.99

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1742	+4	1745	1717	4,224	20,072
May	1650	-	1666	1629	3,940	19,223
Jul	1635	+2	1641	1615	437	4,971
Sep	1624	+2	1634	1610	84	2,326
Nov	1612	+2	1608	1594	298	408
Jan	1602	+2	1666	1637	56	303
Total					8,977	47,409

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	102.55	+1.80	103.00	101.25	8,513	6,640
May	103.95	+2.50	104.20	102.25	13,690	20,376
Jul	105.60	+1.95	105.70	104.00	1,813	5,285
Sep	107.35	+1.88	107.40	106.00	709	3,393
Dec	108.85	+1.70	109.00	107.75	127	1,608
Mar	110.50	+1.00	110.50	109.50	43	480
Total					24,895	37,722

■ COFFEE (ICO) (US cents/pound)

Feb 16		Prev. day
Comp. daily	96.96	n/a
15 day average	93.00	n/a

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	222.8	-0.3	223.4	219.0	1,730	19,430
Aug	215.7	-0.1	217.5	213.3	607	10,225
Oct	209.6	-	209.6	206.5	461	7,819
Dec	211.6	+0.4	210.0	210.0	3	1,891
Mar	214.2	-0.4	214.0	212.9	552	1,954
May	216.6	-0.8	217.4	215.0	34	526
Total					3,377	45,84[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	6.65	+0.02	6.66	6.29	14,981	46,755
May	6.47	-0.01	6.50	6.14	16,062	54,099
Jul	6.27	-0.14	6.36	6.05	2,818	35,881
Oct	6.55	-0.17	6.65	6.38	1,387	21,725
Mar	7.07	-0.14	7.15	7.00	236	14,187
May	7.14	-0.16	7.25	7.10	35	2,383
Total					39,069	176,5[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	57.63	+0.89	58.30	56.85	9,524	14,856
May	57.70	+0.57	58.20	57.10	7,859	27,389
Jul	58.25	+0.42	58.70	57.80	2,935	14,297
Oct	59.25	+0.50	59.40	58.80	34	1,610
Dec	59.73	+0.44	60.15	59.40	680	15,376
Mar	60.73	+0.45	60.90	60.50	28	1,743
Total					21,272	76,188

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	84.25	-3.20	87.85	83.50	1,542	14,930
May	82.60	-3.30	86.00	82.00	1,843	9,736
Jul	83.05	-2.85	86.00	82.30	218	4,187
Sep	83.35	-2.90	86.50	83.00	291	1,483
Nov	83.35	-2.40	86.00	82.00	41	756
Jan	83.60	-2.40	86.25	83.50	17	468
Total					3,758	31,728

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 17	Feb 16	month ago	year ago
1421.5	1432.4	1474.8	1732.3

■ CRB Futures (Base: 1967 = 100)

Feb 16	Feb 12	month ago	year ago
184.33	186.77	-	-

■ GSCI Spot (Base: 1970 = 100)

Feb 16	Feb 12	month ago	year ago
130.09	132.87	133.58	170.84

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+1,075	to	610,600
Aluminium alloy	+20	to	91,180
Copper	-25	to	605,250
Lead	-350	to	107,075
Nickel	-60	to	65,880
Zinc	+1,775	to	310,250
Tin	-125	to	7,050

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.850	-1.325	64.900	63.750	2,758	9,076
Apr	66.625	-0.850	67.250	66.550	6,020	52,905
Jun	65.025	-0.900	65.700	64.925	1,704	28,467
Aug	64.400	-0.825	64.825	64.375	1,237	13,507
Oct	65.750	-0.850	66.150	65.675	692	7,828
Dec	66.925	-0.600	67.200	66.850	106	3,673
Total					12,485	116,010

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	45.275	-0.150	45.900	44.250	3,608	17,363
Jun	55.225	-0.400	55.925	54.700	2,222	9,526
Jul	56.175	-0.125	56.300	55.550	364	3,990
Aug	56.575	-0.100	56.925	56.300	100	3,516
Oct	55.225	-0.175	55.400	54.850	210	4,130
Dec	55.300	-0.300	55.650	55.300	67	[illegible]
Total					6,621	40,877

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	54.750	+0.125	55.700	53.550	244	526
Mar	54.150	-0.950	56.300	53.700	1,100	3,611
May	55.675	-0.825	57.800	55.200	398	1,477
Jul	57.000	+0.250	58.000	56.300	23	675
Total					1,746	5,691

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1150	49	16	80	24
1200	23	39	51	44
1250	8	74	30	72
■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
1350	74	19	116	36
1400	46	39	87	56
1450	24	66	63	81
■ COFFEE LIFFE	Mar	May	Mar	May
1650	92	58	1	58
1700	43	30	1	80
1750	9	26	17	126
■ COCOA LIFFE	Mar	May	Mar	May
900	20	38	2	34
925	2	28	9	49
950	1	21	32	67
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1000	-	-	-	-
1050	26	-	-	-
1100	10	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$9.83-9.86x	-0.165
Brent Blend (dated)	$10.01-0.05	+0.06
Brent Blend (Apr)	$10.21-0.25	+0.14
W.T.I.	$11.72-1.74x	+0.215

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$114-116	
Gas Oil	$96-98	+3.5
Heavy Fuel Oil	$54-56	
Naphtha	$93-95	-1
Jet fuel	$111-113	+3.5
Diesel	$104-105	+4

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	9.43-9.48	-0.02

Petroleum Argus. Tel. London (0171) 359 8792

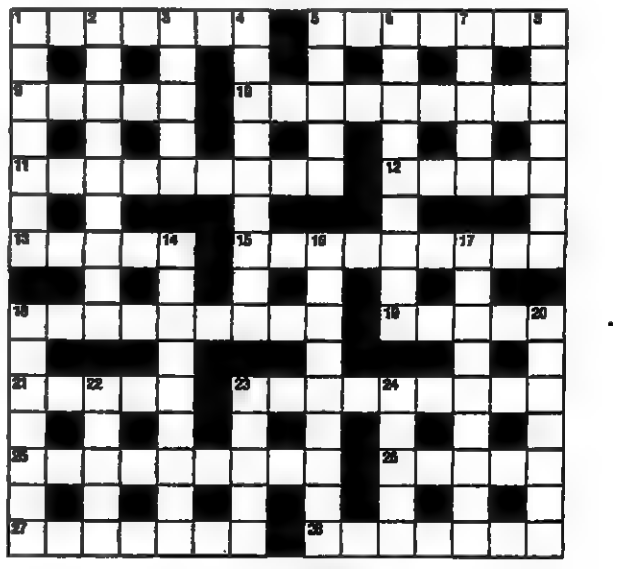
■ OTHER

Gold (per troy oz)♣	$285.15	-0.10
Silver (per troy oz)♣	538.50c	-28.0
Platinum (per troy oz.)	$364.00	+1.50
Palladium (per troy oz.)	$347.00	-6.00
Copper	71.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.53r	
Tin (New York)	245.5	-1.00
Cattle (live weight)	93.20p	+0.46*
Sheep (live weight)	89.21p	+5.07*
Pigs (live weight)†	54.82p	+3.23*
Lon. day sugar (raw)	$164.30	-4.90
Lon. day sugar (wte)	$231.20	-1.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	47.00p	
Rubber (Apr)♥	48.00p	
Rubber (KL RSS No1)	258.50m	
Coconut Oil (Phil)§	750.0	
Palm Oil (Malay.)§	332.50	
Copra (Phil)§	450.0y	-5.0
Soyabeans (US)	148.5y	
Cotton Outlook'A' index	55.30	-0.45
Wooltops (64s Super)	259p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y [illegible]. z Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,715 head of pigs sold.

CROSSWORD

No.9,917 Set by ARMONIE



ACROSS

1 A flow of air that could be bitter (7)
5 It may provide support for a schooner or trading vessel (7)
9 Rich dessert one bachelor's abandoned for a dance (5)
10 In repose practise self-discipline (9)
11 Present subversive item about the press, etc (9)
12 Jam in a piece of cake (5)
13 Ghost tormented ancient people (5)
15 Publicise an isolated area where plane makes a drop (3,6)
18 Classical historian and champion spot you and me (9)
19 Daughter in ill-fated tour of Royal house (5)
21 Eastern country has investment of German capital (5)
23 Thailand possesses headland in urban vista (9)
25 Creature from New Guinea, said to be a bow-legged duck (9)
26 Indian leaders presented data for computer (5)
27 Badly trained for part-exchange deal (5-2)
28 Strayed wickedly on the Sabbath (4,3)

DOWN

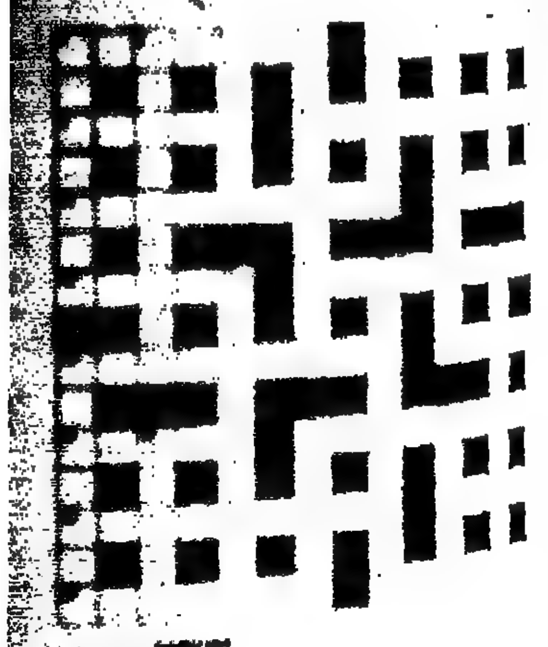
1 Sovereign embraced by plucky sweetheart (7)
2 Two masters intervene to change their own college (4,5)
3 Fine pair of monkeys (5)
4 A good social worker supported prison sentence for harridan (9)
5 Shed eastern class system (5)
6 Burrow under a royal terrace for plant (9)
7 Eastern gangsters turn up spiteful gossip about one (5)
8 Draw back from giving soldiers a free dinner (7)
14 Incidental criticism of players' small sponge (9)
16 Sewer-rat goes wild ingesting old perfumery ingredient (4-5)
17 The child slept? That's novel! (9)
18 Swimmer, a politician, sheltered in shack (7)
20 Try again to adopt measure that's a hazard for astronauts (2-5)
22 In the deluge, Noah managed to sail (5)
23 A source of irritation makes god nasty, initially (5)
24 Keeps furtive watch on bird on board ship (5)

Solution 9,916

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

صفحات الاعمال

India to rely more heavily on oil imports



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BERMUDA (REGULATED)(**)

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MFS Meridian Funds - Contd.

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Masters International Advisors

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Omega Overseas Partners Ltd

Opportunity Fund (z)

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Schroder Investment Mngmt (Guernsey) Ltd

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The Hotel Mutual Investment Company Plc

Henderson Crosthwaite Investment Co

Herald Investment Fund Plc

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

AIG Asset Management Ltd

AIM Capital Funds Plc (z)

AIM Global Management Company Limited

AIMS Management Limited

ADN International Funds Plc

Abbey National Dublin Investment Fund Plc

Abbey National Dublin Investment Fd II Plc

Abbey National Dublin Investment Fund III Plc

Abbey National Dublin Investment Fund IV Plc

Aberdeen Prolific Umbrella Cash Fund Plc

Aequilibrium Investments Ltd

Amadeus Capital Vision Plc

Asia Small Cos Growth Fund (z)

Asian Growth Fund Plc

Asset Korea Fund

Asset Universal Ltd

Atlantis Korean Smaller Companies Fund

BAS-EX Management SA

BT&T Asset Management (Ireland) Ltd

BZW Secured Equity Fund II Plc

Bank of Ireland Unit Managers Ltd

Barclays Global Investors Ireland Ltd

General & Cologne Re Fd Mgrs (Ireland) Ltd

Global Euro-Asia Investment

Global Resources Stock Fund

The Golden Gate Fund Plc

Goldman Sachs

Gordon House Asset Management Ltd

HSBC Asset Management

Hanson Ireland Ltd

InvestmentPlus Plc

Irish Life International Global Funds Plc

James World Funds

John Hancock Funds Plc

Seoul Korea Venture Fund

Prudential Securities Futures Mgmt Inc

Putnam World Trust

RMB Global Fund

Rothschild Asset Management (Ireland) Ltd

J. Rothschild International Assce plc

SEC Traded Endowment Fund Plc

SEI Global Master Fund – Institutional Class

SEI Global Master Fund – Investor Class

The Sagitta Fund Plc

Salomon Brothers Asset Management

Saudi International Inv Co Plc

Schroder Investment Management (Ireland) Ltd

Scottish Amicable European/International

Scottish Mutual Intl Fund Managers Ltd

Salem Investment Mngt (Ireland) Ltd

Short-Term Investments Co (Global Series) Plc

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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Currency Funds
Bond Funds
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Gartmore Fund Managers Intl Ltd (z)
PO Box 278, 45 La Motte St, Jersey 01534 888088
Gartmore Capital Strategy Fund Ltd

Hill Samuel Fund Mgrs (Jey) Ltd (1000)F
PO Box 657, New Street, St. Helier, Jersey 01534 604814
Offshore Funds

Lloyds Bank (CI) U/T Mgrs.
PO Box 311, St Helier, Jersey 01534 284242

Lloyds TSB Fund Managers (CI) Ltd
PO Box 538, St Helier, Jersey 01534 503002
Lloyds TSB Offshore Funds Limited

Midland Bank Fund Managers (Jersey) Ltd
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Prudential Fund Managers (Jersey) Ltd
PO Box 103, St Helier, Jersey 01534 609000

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd
PO Box 443, Ordnance House, St Helier, Jersey 01534 879141
Investment Adviser: Bunnage & Co Limited

Royal Bank of Scotland International Ltd
PO Box 698 St Helier Jersey 01534 24365
Royal Bank of Scotland Intl Offshore Portfolio Limited

For TSB Fd Mgrs see Lloyds TSB Fd Mgrs

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Bank of Ireland Asset Mngmt (Jersey) Ltd

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Asian Selection Funds

Cater Allen Investment Management (CI)

Cazenove International Asset Mngt Ltd (CIAM)

Citibank (CI) Ltd 'Citifunds'
Bond Funds

Citibank N.A.

Coutts (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

For Hambros Fund Mngrs see SG Hambros Fund Mngrs

INVESCO International Limited
Sterling Denominated Income Funds
American Equity Inc. £3 118 3.347 1.10

Investec Management Co (Jersey) Limited

Jupiter Asset Management (Jersey) Ltd

Lazard Fund Administration Services (CI) Ltd

Lazard Investment Funds (CI) Ltd

Liberty International Asset Management

Lloyds TSB Fund Managers (CI) Ltd

Lombard Odier (Jersey) Ltd
Fixed Income Funds

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd
Midland Offshore Global Investment Funds Ltd

Minerals, Oils Res. Shrs. Fd. Inc.
Mores Feb 11 $15.70 16.03 — 2.68

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd
Pacific Fund Feb 10 $29.23 30.66

Royal Bank of Scotland Fund Managers (CI) Ltd
Corinthian Portfolio Selection Funds Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd
Brewin Dolphin Offshore Funds Limited (OEIC)
Investment Adviser: Brewin Dolphin, Jersey
Lonsworld Fund Of Funds Limited (OEIC)
Lowes Personal Choice Portfolios Limited
Bunnage Funds Limited
Investment Adviser: Bunnage & Co Limited

SG Hambros Fund Managers (Jersey) Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

For TSB Fd Mngrs (CI) Ltd see Lloyds TSB Fd Mngrs

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

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Aberdeen Global Funds (u)
21 Av De La Liberte, Luxembourg 00 352 396 4641
Aberdeen Atlas Funds

American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 00 352 40464627 1

Bank Von Ernst & Cie AG

For Banque Indosuez see Credit Agricole Indosuez

Barclays Diversified Portfolio (u)

Barclays Inv Funds (Luxembourg)
20 Place de la Gare, L-1616 00 352 469081
Equity Funds
Bond Fund

CMI Asset Management (Luxembourg) SA
CMI Global Network Fund (u)
Emerging Market Sub Funds
Regional Equity Sub Funds
Single Country Equity Sub Funds
Index Tracking Sub Funds
Managed Sub Funds

Commercial Union Luxembourg SA (u)
28 Place de la Gare, L-1616 00 352 402820281
Internet: http://www.cuplu.lu E-mail: cupl@cupl.lu

For Norwich see Luxembourg FSA

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Reserve Funds
Bond Funds

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39 Allee Scheffer, L-2520 Luxembourg 00352 47671

DB Investment Management SA
2 Boulevard Konrad Adenauer, Lux 00 352 421011

Danske Fund (u)
2, rue du Fosse, L-2011 Luxembourg 00 352 4612751

Den norske Bank
2 boulevard Royal, Lux 00 352 4549 3271

Dresdner RCM Global Investors (UK) Ltd
10 Fenchurch Street, London EC3M 3LB 0171 246 3000

Dresdner RCM Japanese Warrant Fund
14 rue Aldringen Luxembourg 00 352 4709 2939
NAV $0.997 -0.011 —

Dresdner RCM Select Fund (u)
14 Rue Aldringen L-1118 Luxembourg 00 352 4709 2939

Dresdnerbank Asset Mngmt SA (u)
6A route de Treves L-2633 Senningerberg 00 352 4634531

EFG Asset Management S.A.
5 rue Jean Monnet L-2180 Lux 00 352 420724-1

E.T. Investment Management Ltd
13 Rue Goethe, BP 413, Luxembourg 00 352 40464617
Establishment 1st Feb 12 $2.66 +0.01 —

Edinburgh Global SICAV (u)
13 Rue Goethe, L-1637, Luxembourg 00 352 404646215

Fidelity Funds (u)
Kanalside Hse. Place de L'Etoile, L-1021 Lux BP 2174
UK-01732 777377 Lux-00 352 2503512/30
Major Market Funds
Country Select Funds
Asset Allocation Funds
Balanced
Bond Funds
Prices as at February 16

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg
Internet: http://www.flemings.lu/
Fleming Flagship Fund (daily dealing)

Foreign & Colonial Emerging Markets Ltd (u)

Foreign & Colonial Portfolios Fd Sicav(u)
47 Boulevard Royal, L-2449 Lux 00 352 4640101

Framlington International Portfolios
39, Allee Scheffer, L-2520 Luxembourg

Frontrunner I (u)
672 rue de Neudorf, L-2220 Luxembourg 00 352 433050

GT Global

HSBC Investment Funds Luxembourg SA (u)
7 rue du Marche - aux - Herbes L-1728 Luxembourg
HSBC Global Investment Funds
International and Regional Funds
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Henderson Management SA (u)
60 rte de Treves, L-2633 Senningerberg, Lux
Henderson Horizon Fund

IKOS
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INVESCO International Limited (u)
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Jefferies
11 Rue Aldringen, L-1118 Luxembourg 00 352 46619826
Managed Convertible (4) $12.65

Jupiter Tyndall Global Fund
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Liberty Newport World Portfolio (u)

Lloyds Bank Luxembourg
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13 Southampton Place, London WC1A 2AJ
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North America
Europe
Eastern Europe
Smaller European Companies
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Mercury Offshore Stlg Tst-SICAV (u)

Mercury World Bond Fund - SICAV (u)
Mercury World Bond $40.30 42.32 +0.12 0.47

Morgan Stanley Sicav
C/O First European Transfer Agent S.A.
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L-1331 Luxembourg 00352 254701 511

Nomura Global Fund (u)
1 St Martin's-le-Grand, EC1A 4NP 0171 521 2000
Asia Infrastructure $10.41
Asia Pacific $5.14

PRICOA Worldwide Inv Portfolio Sicav (u)
47 Boulevard Royal, L-2449. Lux 00 352 4640101

Pictet Group
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Internet Address: WWW.PICTET.COM
Pictet Country Fund
Pictet Targeted Fund
Pictet International Funds

Premier International Investments SICAV
6 d route de Treves L-2633 Luxembourg 01483 306070

S-E-Banken Luxembourg SA
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SEB Equity Fund
SEB Far East
SEB Bond Fund
SEB International Sicav

Sarasin Investmentfonds SICAV (u)
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Schroder International Selection Fd (u)
5 Rue Hoehenhof, Senningerberg, Lux 00 352 341342212

Scottish Equitable Intl Fund SICAV (u)

Sun Life Global Management Ltd (u)

Svenska Selection Fund SICAV

Templeton Global Strategy Funds (u)
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LUXEMBOURG (REGULATED)(**)

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Aberdeen Global Specialist Funds
Aberdeen Global Regional Funds
Aberdeen Global Bond Funds
Aberdeen Global Reserve Funds
Prices quoted are "A2" shares

For Aetna Intl Umbrella see Aberdeen Global Funds

Asass Bank (Switzerland) Ltd

The Archipelago Fund Sicaf
The Archipelago Fund $37.38

Atlantis Sicav

BNP
Inter Obligations
Inter Strategie
Inter Cash
Inter Futures
Inter Global Fund

BNP - Contd.
Inter Thema
BNP InterCash Fund
Inter-Stock Investment

Banque Colbert S.A.

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European Bond Eur14.87

Egypt Trust
Shares NAV Feb 5 $13.98

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The European Asset Value Fund

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Fidelity Investment (CI) Ltd

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World Frontier $4.45

Goldman Sachs
Goldman Sachs Funds

Groupe Du Savoy SICAV
Eur92.58

HYPO Capital Mgmt Invest Luxembourg SA

Henderson Independent Fund
Dollar Reserve Portfolio Feb 17 $12.20

International Bond Trust
CCIC A NAV $11.04

INVESCO International Limited

InterSud Investment Fund SICAV

Investissements Atlantiques SA

JP Morgan

Julius Baer Group

Kredietbank SA Luxembourg

Lebanon Holdings

Lloyds Bank Luxembourg
Lloyds International Liquidity

Lombard Odier Selection
The Quality Growth Fund

MC Securities Limited London

MFS Funds

Merrill Lynch Asset Management
Merrill Lynch Global Currency Bond Series
Merrill Lynch Equity/Convertible Series

Monterey Trust SICAV
NAV $29.86

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund
Korea $3.69

Nikko Bank (Luxembourg) S.A.

Nikko Capital Management

For Nomura Asia Infrastructure see Luxembourg FSA

Pan-Holding SA

REIG Global Funds

Regent Korea Emerging Growth Fund
NAV Feb 11 $3.95 -0.21

Rosenberg Management SA

Rothschild (Group Edmond de)

SCI/TECH SA
SCI/Tech NAV $42.88

Scudder Global Opportunities Funds

Scudder Global Opportunities Funds - Contd.

Sector Fund

Seligman Global Horizon Funds

Signet Fund

Simplx Asset Management

Societe Generale Emer Europe Asset Mgt

Standard Chartered Investment Fund SA

State Street Luxembourg SA

State Street Research & Management Co

Sternbrand Scudder Environmental Value Fd

TCW Luxembourg Funds

Target International Ltd

Templeton Emerging Asia

Templeton Russian & East European Debt Fd

Tower Fund

Tweedy, Browne Value Funds

UBS AG

Unicapital Investments

Unico Financial Services SA Lux

Union Bancaire Privee

Vesper Consult

"WINTERTHUR" Fund Mngmt Co (Lux) SA

WP Stewart Global Growth Fund
Global Growth $20.0009 -0.7381

World Invest SICAV

World Trust Fund
Shares NAV $19.61

OFFSHORE INSURANCES

Aberdeen International Ltd
PO Box 494 Harbour Court, St Peter Port Gsy 01481 727690

Albany International Assurance Ltd
St Mary's, Castletown, Isle of Man 01624 823262

Allied Dunbar International Assce Ltd (z)
43-51 Athol Street, Douglas, IoM 01624 661551

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

[illegible]

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
FSA - Financial Services Authority.
(**) Funds not FSA recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Cayman Islands - Cayman Islands Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/High Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Commission
Luxembourg - Institut Monetaire Luxembourgeois.
Exit charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(*) 0001 to 1100 hours
(*) 1101 to 1400 hours
(*) 1401 to 1700 hours
(*) 1701 to midnight
£ Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - forward pricing
h Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
e Designated as a UCITS (undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
z Previous day's price.
§§ Guernsey gross.
◆ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
◆ Yield column shows annualised rates of NAV increase.
The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	N	463xd	-5½	649	385	4,179	5.5	12.1
Bulmer (HP)		282½	+1½	412½	279½	-	6.6	12.6
Burn Stewart		14	—	30½	7	3	-	-
Diageo		651	-1	795	476	6,413	3.0	19.7
Glenmorangie A	†	772½	—	900	625	-	2.5	19.3
B	†	827½	—	950	810	-	1.1	44.9
Highland		251½	—	325	225	68	4.6	11.5
5¼pc Cv Sb Bd		98¾	—	100½	80½	-	5.9	-
Kirin Y		699¼xd	-38	914½	457¾	-	0.9	55.2
Merrydown		27	+½	54½	18½	94	-	ϕ
Seagram C$		£20	[illegible]	[illegible]	[illegible]	-	0.9	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
BG	†	357¼	-8¾	438	265	8,206	2.9	29.3
Centrica		113	-2¾	130	80¾	12,982	-	-
International Energy	†	159½	-½	150½	98½	84	3.1	16.3

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

LEISURE & HOTELS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFE ASSURANCE

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEDIA

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEDIA - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL, EXPLORATION & PRODUCTION

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL, INTEGRATED

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FINANCIAL

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PACKAGING & PRINTING

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHARMACEUTICALS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RETAILERS, FOOD

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RETAILERS, GENERAL

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUPPORT SERVICES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUPPORT SERVICES - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TELECOMMUNICATIONS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOBACCO

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRANSPORT

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRANSPORT - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WATER

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

	Notes	Price £	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

	Notes	Price £	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Barlow R	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	4.9	ϕ
Investec Group		[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
Investec Hldgs		[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
SA Breweries R	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	4.0	13.6
Standard Bank R	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	–
Tiger Oats		[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Tongaat-Hulett R		[illegible]	+11	[illegible]	[illegible]	–	6.1	8.2

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAKRS		[illegible]	—	[illegible]	[illegible]	–	–	–

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the UK Official list.

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AIM - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distributions and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ¥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish Incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
f Dividend/yield adjusted for complex taxes
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

v Dividend/yield includes amount payable after 6/4/99
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1998-99.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1999.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.

N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
P Dividend/yield adjusted for consolidation or share split
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
, ex dividend;
, ex scrip issue;
, ex rights;
, ex all;
, ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, *annual subscription £250 stg. Please consult your financial adviser* and verify financial pricing information obtained via FT Cityline before making any investment decision.

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For Retail Price Index details call 0891 43 0055

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Footsie pauses after four-day winning streak

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

The big domestic and international institutions stood back from London and most of the other big European equity markets yesterday, preferring to wait and see how Wall Street digested the recent batch of important corporate news reports from the US.

In the event, Wall Street's response yesterday to fourth-quarter figures from Dell and Hewlett-Packard, released on Tuesday, was initially bearish, driving the Dow Jones Industrial Average and other US indices lower.

"For us in London and the rest of Europe it was mostly a waiting game for Wall Street," said one dealer. The Dow had disappointed overnight, finishing 22 points up after being more than 100 points higher. The US market dipped off at the start yesterday before making rapid progress after London closed.

After four winning sessions, the FTSE 100 suffered from persistent pockets of profit-taking, which drove the index down to a session low of 6,040.7, down 67.9.

A late rally took it back briefly into positive ground only to see the leaders drift off again and leave the Footsie 30.2 lower at 6,078.4.

Second-liners were also put under pressure, the FTSE 250 sliding 26.4 to 5,174.5. The small-caps, which have struggled during the stunning upside performance of the leaders over the previous four sessions, continued their rather sedate progress. The FTSE SmallCap index moved up 3.4 to 2,250.5, its fifth consecutive gain.

The minutes of the February meeting of the Bank of England's monetary policy committee, after which rates were cut by 50 basis points, revealed that eight of the members voted for a 50 basis points reduction and one, Willem Buiter, a former hawk, for 75 basis points.

The discussion revealed in the document that rates had only just moved into neutral territory was interpreted by some as a signal that rates may fall further in coming months. A small fall in unemployment did not seem to dent that view on rates.

The banking sector, which was widely seen as the catalyst for the stock market's recent revival after good results from Lloyds TSB and reassuring figures from Barclays, remained in the forefront of investors' attention with Woolwich announcing a 15p a share special dividend.

Dealers insisted there was never any real downside pressure being exerted on the London market, a view reinforced by the relatively low level of activity in the market yesterday.

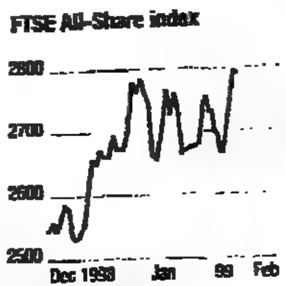
Turnover at 6pm was 966m shares, with volume in the FTSE 100 constituents accounting for 55 per cent of overall business.

However, the level of business in the market in recent weeks has been *highly* encouraging.

POSIT, the dealing system which matches buy and sell orders for institutional clients in the London market, and which offers anonymous and low-cost dealing, claimed a 1.5 per cent share of business in the UK market and business worth £13.7bn during its first three months of trading.

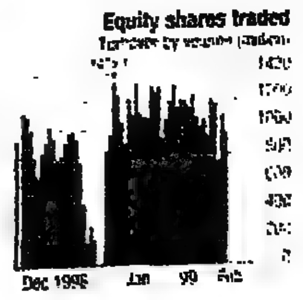
POSIT is jointly owned by ITG of the US and Société Générale of France.

FTSE All-Share index



Source: FTSE International/[illegible]

Equity shares traded



Indices and ratios

FTSE 100	6078.4	-30.2	FT 30	[illegible]	[illegible]
FTSE 250	5174.5	-26.4	FTSE Non Fins p/e	[illegible]	[illegible]
FTSE 350	2873.5	-14.4	FTSE 100 Fut Mar	[illegible]	[illegible]
FTSE All-Share	2782.30	-13.09	10 yr Gilt yield	[illegible]	[illegible]
FTSE All-Share yield	2.78	2.79	Long gilt/equity yld ratio	[illegible]	[illegible]

Best performing sectors

1	Engineering: Vehicles	+1.64
2	Property	+1.41
3	Food Producers	+1.40
4	Electronic & Elect Equip	+1.36
5	Health Care	+1.24

Worst performing sectors

1	Tobacco	[illegible]
2	Extractive Industries	[illegible]
3	Resources	[illegible]
4	Electricity	[illegible]
5	Oil, Integrated	[illegible]

United roadshow gives lift

COMPANIES REPORT

By Peter John, Joel Kibazo
and Simon Bernholt

United News & Media was one of Footsie's best performers following a road show at which the newspaper and television group promised great things.

The shares rose 29½ to 629½p after the group vowed to achieve *double-digit* revenue growth over the next three years.

The group also said it would establish operating margins that ranked with the best UK media groups.

But there was some scepticism. One sector specialist said: "If they couldn't achieve it in the last eight years when inflation was raging, the US economy was powering ahead and technology was boosting the industry, why should they achieve it now?"

Nevertheless, the stock was almost on a government bond yield parity at the start of trading, even though it is in a highly-rated sector, and the market was prepared to give the company a chance to prove itself.

A broker's recommendation for food and drinks group **Cadbury Schweppes** refocused attention on the attractions of the stock and helped the shares buck the poor market trend.

Just a week before the company publishes full-year figures, Merrill Lynch raised its recommendation from "accumulate" to "buy".

The shares jumped 51 or 5.37 per cent to £10.01, the best performer in the FTSE 100. Volume was 4.1m.

Merrill Lynch said the shares had further to rise and restated its near-term share price target of £11.35.

Cadbury is in the process of selling its non-US beverages unit to Coca-Cola and Merrill indicated it would be disappointed if the group did not make any announcements in the coming months about returning funds to *shareholders. "We believe* this will reduce the cost of capital," said the broker.

Merrill expects Cadbury to report profits of £600m, against £575m (excluding exceptionals) last time.

Figures from **BP Amoco**, the UK's biggest company, were at first glance at the top end of forecasts.

But the oil major was unable to compete with an underlying oil price that dipped below $10 a barrel.

And questions at the analysts' meeting highlighted the fact that it was slipping down the league table in terms of return on capital.

John Toalster, at SG Securities, said it had been "firmly knocked off its pedestal as top performer".

And Liz Butler, pointing out that the sliding returns were a pure reflection of the merger, said: "I don't doubt they will get it right on the day. I just worry that the day might be two years away. They're going into choppy waters with a share price that is too high."

BP Amoco ended the day 16½ lower at 840p while **Shell Transport** dribbled away 8½ to 319p.

British Airways put on 13½ to 429½p as Morgan Stanley Dean Witter published a positive note on the stock, upgraded its recommendation and also set a new price target for the stock.

Martin Borghetto at the broker admitted short-term trading conditions were still tough, but countered: "The valuations at these levels are appealing particularly as there are indications of healing in the global economy."

Upgrading its recommendation from "outperform" to "strong buy", Morgan Stanley set a new 12-month share price target of 525p and said it believes that "medium-term potential should exceed this".

There was talk of a big buyer in the market for engineering group **GKN**. The shares appreciated 31 to 876½p.

BAe under fire

Two-way business in British Aerospace brought volume of 8.6m as the shares hardened 1½ to 430p.

The recent news that Saudi Arabia was postponing its planned artillery acquisition programme because of the kingdom's financial problems has started weighing heavily on the minds of several brokers.

One sector specialist said: "The fear is for the Al-Yamahma defence equipment contract with the UK. Saudi Arabia may consider scaling it back." British Aerospace earns between £1.5bn and £2bn in sales from the contract each year.

Woolwich perpetuated the positive trend in the banking sector as it came out with profits near the top of the range of analysts' forecasts and a special dividend. Having returned £236m to shareholders, Woolwich also said it would continue with its share buy-back programme. The shares rose 19¼ to 384¾p while Alliance & Leicester, which reports next week, gained 42½ to 886½p.

WPP, the media services group, fell 18¼ to 464¾p in spite of a 20 per cent boost to earnings and 10 per cent revenue growth. The numbers were in line with forecasts and had been well flagged in the weekend press.

Carpet retailer **Allied Carpets** retreated 5½ to 38½p after the company reported a disappointing January sale and a sharp decline in interim profits.

One retail sector specialist said: "The misery is likely to continue particularly because of the growing popularity of wood flooring."

The day's worst performer in the FTSE 100 was **Railtrack Group** which yesterday launched its first exchangeable bond. The shares declined 77 to £14.59.

Railtrack will receive around £400m from the 10-year bond issue which will allow holders to convert the bond into company shares at an indicated premium of about 25 per cent.

British Biotech continued to decline towards its cash valuation, closing down 2¾ at 20p.

IOC International, the Aim-listed components company, rose 10 to 59½p after Newton Investment Management upped its stake to 13 per cent. The £322m price exceeded most expectations.

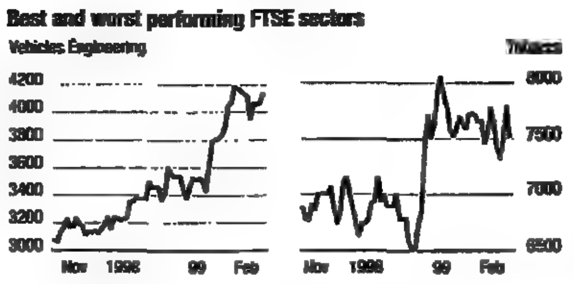
Pubs group **Slug and Lettuce** fell 22 to 160½p after announcing poor interim figures. It also said full-year results would be lower than expected.

Recruitment group **Reed Executive** rose 19 to 100p and **Plasmon**, the electrical equipment manufacturer, rose 11 to 103½p as brokers reported a surplus of demand for both stocks.

Leicester City rose 5 to 42½p after reports in a local newspaper of a possible bid for the company. The football club said no formal approach had been made.

AB Airlines fell 12 to 35p after announcing a major restructuring.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Feb 17	Feb 16	Feb 15	Feb 12	Feb 11	Yr ago	*High	*Low
FT 30	3700.5	3687.7	3649.7	3629.3	3598.1	3495.7	4004.9	2798.6
Ord. div. yield	2.81	2.81	2.85	2.87	2.90	3.07	4.22	2.72
P/E ratio net	23.88	23.90	23.55	22.61	23.10	23.10	28.41	15.80
P/E ratio nil	23.79	23.80	23.46	22.52	23.01	N/A	25.19	15.71

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3687.7	3659.0	3676.8	3675.1	3685.4	3682.9	3688.8	3711.1	3719.3	3665.8

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STOCK MARKET TRADING DATA

	Feb 17	Feb 16	Feb 15	Feb 12	Feb 11	Yr ago
SEAQ bargains	83,685	92,194	77,852	[illegible]	72,186	n/a
Equity turnover (£m)†	-	4594.1	3314.0	4645.4	4438.0	n/a
Equity bargains†	-	79,878	68,107	77,682	84,103	n/a
Shares traded (mil)†	-	1025.8	809.8	1070.2	1081.0	n/a
Total market bargains‡	-	n/a	77,425	[illegible]	78,818	-
Total turnover (£m)‡	-	n/a	4094.1	[illegible]	5584.7	-
Total shrs traded (mil)‡	985.5*	n/a	962.9	[illegible]	1545.9	-
Tradepoint turnover (£m)	32.0	38.5	28.4	25.8	44.0	16.4
Tradepoint shrs traded(m)	10.7	18.1	9.9	12.3	12.8	5.8

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	505	Total Highs	34	Total contracts	39,425
Total Falls	883	Total Lows	42	Calls	22,234
Same	1,461			Puts	17,191

Feb 17 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	6070.0	6070.0	-40.0	6109.0	6041.0	[illegible]	[illegible]
Jun	6097.0	6107.0	-41.0	6097.0	[illegible]	[illegible]	[illegible]
Sep		6151.0	-34.0			[illegible]	[illegible]

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5190.0	5182.0	-26.0	5190.0	[illegible]	[illegible]	[illegible]
Jun	5201.5	5193.0	-38.5	5201.5	[illegible]	[illegible]	[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) (*6078) £10 per full index point Feb 17

	5900		5950		6000		6050		6100		6150		6200		6250	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Feb	180	6	140½	12	104	22	69½	[illegible]	42	[illegible]	22½	[illegible]	10½	[illegible]	4	[illegible]
Mar	306	125	267	149	237	170½	205½	191½	178	[illegible]	150½	[illegible]	132½	[illegible]	116½	[illegible]
Apr	391	212	360	232	328½	252	297½	[illegible]	266½	[illegible]	236½	[illegible]	211	[illegible]	183	[illegible]
May	472	252	440	302	408	322	378½	[illegible]	345	[illegible]	313½	[illegible]	286	[illegible]	263½	[illegible]
Jun†	534½	337			471	368			409	[illegible]			346	[illegible]		

Calls 1,920 Puts 1,016

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point Feb 17

	5925		5975		6025		6075		6125		6175		6225		6275	
Feb	161½	8½	119	16	82	30½	51	47	[illegible]	[illegible]	12	[illegible]	5	[illegible]	1½	[illegible]
Mar	281	136½	249	154	218	173½	187½	[illegible]	165½	[illegible]	140½	[illegible]	117	[illegible]	97	[illegible]
Apr	367	212	335½	230½	305	249½	277	[illegible]	252½	296	227	[illegible]	204	[illegible]	183	[illegible]
Jun	504½	335½			452½	372			396	414			349	[illegible]		
Sept	604	335½			605½	373			564	414			494	[illegible]		

Calls 7,022 Puts 6,193 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1998/9 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	FP	15.0	100	95	AIM VCT	100		-	-	-	-
-	FP.	-	95½	88	Abtrust Natl Dublin	[illegible]					
-	FP.	-	102½	101½	Acorn Income Fd	101½		-	-	-	-
§	FP.	38.0	123	116½	BFS D'Scnt Inc	[illegible]		[illegible]	-	[illegible]	-
-	FP	3.92	103	56	Do Cap	[illegible]		-	-	-	-
-	FP.	15.8	100	90	Close Bros Dev VCT	100		-	-	-	-
-	FP.	38.2	7¼	7	Gander Property	[illegible]		-	-	-	-
§	FP.	46.8	100½	93½	Jupiter Enhanced	[illegible]		-	-	-	-
§	FP.	46.8	110	103½	Do Zero Div Prf	[illegible]	[illegible]				
-	FP	5.87	109½	107½	NBA Quantum	[illegible]		[illegible]	-	-	11.2

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	Low	Stock	Closing price p	+or-
40	Nil	25/2	1pm	1pm	[illegible] Media	[illegible]	
78	Nil	18/3	25pm	20pm	[illegible]	21pm	[illegible]

pm premium.

FTSE GOLD MINES INDEX

	Feb 16	% chg on day	Feb 15	Year ago	Gross div yield %	Total return	52 week High	Low
Gold Mines Index (28)	[illegible]	-3.6	868.16	1084.38	2.00	938.21	1361.57	701.58
■ Regional Indices								
Africa (9)	976.83	-1.5	991.26	1119.98	4.27	[illegible]	[illegible]	[illegible]
Australasia (8)	1148.90	-2.6	1179.35	1328.10	2.67	1160.64	[illegible]	[illegible]
Americas (11)	874.06	-4.7	917.43	1066.73	0.83	[illegible]	[illegible]	[illegible]

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stg Feb 17	Day's chge%	Euro Index	£ Stg Feb 16	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6078.4	-0.5	6900.2	6108.6	5723.4	2.65	2.30	[illegible]	24.95	3.30	2692.68
FTSE 250	5174.5	-0.5	5874.1	5200.9	5015.0	3.23	2.80	2.14	18.06	7.49	2254.41
FTSE 250 ex Inv Tr	5198.7	-0.5	5901.6	5225.8	5037.9	3.36	2.91	2.22	16.74	7.68	2275.06
FTSE 350	2873.5	-0.5	3267.7	2892.9	2721.2	2.74	2.38	1.93	23.58	1.97	2806.88
FTSE 350 ex Inv Tr	2885.6	-0.5	3275.7	2900.0	2727.2	2.75	2.38	1.94	23.35	1.95	1340.46
FTSE 350 Higher Yield	2682.7	-0.6	3045.4	2704.4	2711.1	3.61	3.26	1.65	17.83	1.55	2085.88
FTSE 350 Lower Yield	3085.1	-0.2	3502.2	3091.6	2747.7	1.68	1.51	2.17	34.17	2.43	2260.83
FTSE SmallCap	2250.45	+0.1	2554.73	2248.11	2432.74	3.61	2.99	2.05	16.87	4.74	1981.93
FTSE SmallCap ex Inv Tr	2221.08	+0.2	2521.38	2217.26	2420.42	3.83	3.18	2.17	15.02	[illegible]	[illegible]
FTSE All-Share	2782.30	-0.5	3158.40	2795.39	2648.77	2.78	2.40	1.94	23.15	2.09	2557.61
FTSE All-Share ex Inv Tr	2793.47	-0.5	3171.16	2806.70	2657.10	2.80	2.42	1.98	22.83	2.05	1321.24
FTSE Fledgling	1228.66	—	1394.79	1228.92	1327.65	4.03	3.29	1.40	22.17	2.11	1385.98
FTSE Fledgling ex Inv Tr	1240.12	+0.1	1407.80	1239.50	1347.58	4.60	3.75	1.45	18.78	2.19	1406.79
FTSE All-Small	1275.27	+0.1	1447.70	1274.28	1378.59	3.70	3.06	1.90	17.76	2.58	1440.85
FTSE All-Small ex Inv Tr	1282.95	+0.1	1456.41	1281.05	1397.36	3.98	3.29	2.01	15.64	2.56	1460.48
FTSE AIM	822.6	-0.4	933.8	825.5	1002.5	1.27	1.11	0.78	80.00†	0.65	765.56

■ FTSE Actuaries Industry Sectors

	£ Stg Feb 17	Day's chge%	Euro Index	£ Stg Feb 16	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(18)	[illegible]	-2.2	4342.38	3911.71	4389.06	3.73	3.54	1.15	[illegible]	0.47	1785.36
12 Extractive Industries(6)	2925.22	-3.2	3320.73	3022.38	3111.43	4.64	4.28	2.05	13.11	3.75	944.80
15 Oil, Integrated(3)	4419.44	-2.1	5016.98	4514.81	4829.42	3.61	3.23	1.03	[illegible]	0.00	2120.62
16 Oil Exploration & Prod(9)	1319.34	-1.9	1497.72	1344.47	2252.06	4.22	3.89	0.97	30.55	0.00	826.22
20 GEN INDUSTRIALS(180)	1851.85	-0.2	2102.23	[illegible]	1992.16	3.75	3.32	2.32	14.41	4.17	1110.94
21 Construction(37)	1347.50	-0.6	1529.89	1353.95	[illegible]	3.78	3.09	3.06	10.82	1.03	1223.46
22 Building Matls & Merchs(25)	1602.14	-1.2	1818.76	1622.24	1874.84	4.69	4.07	2.11	12.59	0.33	893.87
23 Chemicals(20)	1896.58	-0.1	2153.02	[illegible]	2579.49	4.80	4.53	1.99	13.11	1.44	986.79
24 Diversified Industrials(4)	1015.46	-0.7	1152.76	1022.57	1340.17	[illegible]	5.69	[illegible]	17.92	5.26	647.73
25 Electronic & Elect Equip(26)	2807.66	+1.4	3187.27	[illegible]	2120.91	2.72	2.32	[illegible]	23.07	15.01	1582.11
26 Engineering(53)	[illegible]	-0.9	2647.12	2352.96	2682.77	3.80	3.17	2.38	[illegible]	6.76	1539.58
27 Engineering, Vehicles(10)	4131.95	+1.6	4690.62	4064.99	3803.60	2.17	[illegible]	3.23	17.85	0.35	2302.51
28 Paper, Pckg & Printing(18)	1657.99	-0.3	1882.17	1662.79	2071.91	6.30	5.85	2.34	8.46	5.44	768.29
30 CONSUMER GOODS(92)	6011.35	-0.9	6824.13	6068.39	5830.32	2.21	2.08	[illegible]	29.22	0.33	2404.49
32 Alcoholic Beverages(6)	3545.02	-0.3	4024.33	3556.44	3390.54	3.49	3.24	2.13	[illegible]	0.34	1421.25
33 Food Producers(25)	3558.81	+1.4	4039.98	3509.48	3580.00	[illegible]	2.15	2.31	21.74	0.10	1744.50
34 Household Goods & Textls(14)	2310.64	-0.4	2623.06	2321.01	3232.76	4.41	4.00	1.94	14.58	0.80	992.56
36 Health Care(14)	2378.67	+1.2	2699.60	[illegible]	2320.58	2.17	2.00	2.10	27.47	1.88	1537.02
37 Pharmaceuticals(20)	10844.57	-1.5	12310.03	11015.05	[illegible]	1.80	1.55	1.38	49.58	0.08	3907.95
38 Tobacco(3)	7522.18	-3.4	8539.23	7783.48	4907.88	4.18	3.81	2.23	13.41	0.00	2143.36
40 SERVICES(262)	3866.00	+0.2	4388.71	3856.77	3091.37	2.21	1.84	2.09	27.01	5.30	2153.93
41 Distributors(25)	1934.26	-0.3	2195.78	1940.54	2528.06	4.85	4.04	2.03	12.71	1.53	777.26
42 Leisure & Hotels(31)	3595.52	-0.1	4081.68	3598.38	[illegible]	2.55	2.28	2.85	17.25	19.09	2086.61
43 Media(45)	5124.65	+0.3	5817.54	5107.84	4161.24	1.98	1.74	2.13	29.69	0.13	1958.82
44 Retailers, Food(13)	2634.23	-0.5	2990.39	2648.82	[illegible]	3.48	2.78	2.16	16.70	4.19	1819.51
45 Retailers, General(41)	2195.20	+0.3	2492.00	2188.72	2388.38	3.47	2.74	2.08	17.80	5.33	1361.61
46 Telecommunications(7)	6394.36	+1.2	7258.83	6319.15	3378.13	1.41	1.15	[illegible]	54.07	4.13	3154.17
47 Breweries, Pubs & Rest.(22)	3620.93	[illegible]	4110.51	3641.75	3843.66	[illegible]	[illegible]	2.20	16.33	12.78	1865.67
48 Support Services(69)	5117.22	-0.7	5809.10	5152.75	3975.82	1.22	1.03	[illegible]	36.06	2.05	3393.01
49 Transport(29)	3508.65	-0.9	3983.05	3541.97	3070.28	2.97	2.51	1.96	21.49	7.87	1587.74
60 UTILITIES(28)	4043.84	-0.8	4590.36	4078.09	3739.68	3.98	3.36	1.67	18.83	3.27	1968.99
62 Electricity(7)	4642.51	-2.2	5270.20	4747.46	4222.74	4.35	3.54	1.71	16.79	0.00	2773.33
64 Gas Distribution(2)	3155.14	+1.2	3581.73	3118.17	2852.86	2.14	1.72	‡	‡	0.00	1839.14
68 Water(11)	3289.22	-0.2	3733.85	3294.44	3210.19	5.09	4.70	2.37	10.34	10.70	2080.60
69 NON-FINANCIALS(580)	2816.34	-0.5	3197.13	2829.97	2603.71	2.72	2.37	[illegible]	24.32	2.71	2326.41
70 FINANCIALS(120)	5458.29	-0.4	6196.29	5482.47	5638.64	3.04	2.58	2.13	19.34	0.39	2556.18
71 Banks, Retail(12)	8290.58	-0.4	9411.52	8327.16	8345.19	3.18	2.59	2.07	18.09	0.00	2939.23
73 Insurance(21)	2338.84	—	2655.07	2339.37	2592.93	2.84	[illegible]	2.04	21.59	0.18	1961.20
74 Life Assurance(8)	7512.55	-1.5	8528.28	7627.45	7129.09	2.57	2.22	2.70	18.07	0.00	3386.62
77 Other Financial(31)	3925.24	-0.6	4455.96	3948.71	[illegible]	2.78	2.33	[illegible]	18.38	0.87	2425.30
79 Property(48)	1820.69	+1.4	2066.86	1795.38	2346.14	3.42	2.92	1.61	22.65	1.01	1214.05
80 INVESTMENT TRUSTS(117)	3711.80	-0.4	4213.44	3724.98	3647.63	2.27	[illegible]	1.15	46.03	5.32	1367.28
89 FTSE All-Share(829)	2782.30	-0.5	3158.40	2795.39	2648.77	2.78	2.40	1.94	23.15	2.09	2557.61
105 FTSE All-Share ex Inv Tr(712)	2793.47	-0.5	3171.16	2806.70	2857.10	2.80	2.42	1.98	[illegible]	2.05	1321.24
Information Technology	1767.73	-0.9	2006.74	1784.06	1224.06	0.52	[illegible]	4.63	51.84	0.93	1777.97

■ Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6090.7	6052.8	6058.8	6046.7	6063.7	6062.9	6068.9	6094.3	6111.9	6040.7
FTSE 250	5194.5	5180.9	5183.2	5181.6	5181.7	5179.8	5177.2	5176.1	5194.8	5174.5
FTSE 350	2885.2	2868.8	2871.4	2866.4	2873.2	2872.8	2875.0	[illegible]	2892.2	2863.9
FTSE SmallCap	2249.01	2249.54	2248.68	2248.15	2248.72	2248.87	2250.50	2250.01	2250.86	2247.27
FTSE All-Share	2788.35	2773.31	2775.88	2771.02	2777.28	2776.92	2779.01	2788.29	2794.89	2768.70

Time of FTSE 100 Day's high: 15:28:00 Day's low: 12:09:00 FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's High: 15:31:00 Day's low: 12:09:00. FTSE All-Share 1998 High: 2965.20 (20/07/98) Low: 2266.07 (05/10/98)

Further information is available on http://www.ftse.com.
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FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	[illegible]	[illegible]	[illegible]
Abbey Natl	[illegible]	[illegible]	[illegible]
ASDA Group	[illegible]	[illegible]	[illegible]
Allied Zurich	[illegible]	[illegible]	[illegible]
Alliance & Leicester	[illegible]	[illegible]	[illegible]
Allied Domecq	[illegible]	[illegible]	[illegible]
Allied Zurich	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods	[illegible]	[illegible]	
BAA	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BG	[illegible]	[illegible]	[illegible]
BP Amoco	[illegible]	840	[illegible]
BSkyB	[illegible]	[illegible]	[illegible]
BT	[illegible]	[illegible]	[illegible]
BTR Siebe	[illegible]	[illegible]	[illegible]
Bank of Scotland	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Billiton	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Britannic Assurance†	[illegible]	[illegible]	[illegible]
Brit. Aerospace	8,551	430	[illegible]
British Airways	[illegible]	[illegible]	[illegible]
Brit. Amer. Tobacco	[illegible]	[illegible]	-20
British Energy	[illegible]	[illegible]	[illegible]
British Land†	[illegible]	[illegible]	[illegible]
CGU	[illegible]	[illegible]	[illegible]
CMG	[illegible]	[illegible]	[illegible]
COLT Telecom	[illegible]	1210	[illegible]
Cable & Wireless	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	1001	[illegible]
Carlton Comms.	[illegible]	[illegible]	[illegible]
Centrica	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Daily Mail & Gen	[illegible]	[illegible]	[illegible]
Diageo	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
EMI	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.	[illegible]	[illegible]	[illegible]
General Electric	[illegible]	[illegible]	[illegible]
Gallaher	[illegible]	[illegible]	[illegible]
Glaxo Wellcome	[illegible]	[illegible]	[illegible]
Granada	[illegible]	[illegible]	[illegible]
GUS	[illegible]	[illegible]	[illegible]
GRE	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]
HSBC (75p shs)	[illegible]	[illegible]	[illegible]
HSBC (HK$10)	[illegible]	[illegible]	[illegible]
Halifax	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]
Hays	[illegible]	570	[illegible]
ICI	[illegible]	[illegible]	[illegible]
Imperial Tobacco	[illegible]	[illegible]	[illegible]
Kingfisher	[illegible]	[illegible]	[illegible]
Ladbroke	[illegible]	[illegible]	[illegible]
Land Securities	[illegible]	[illegible]	[illegible]
Legal & General	[illegible]	[illegible]	[illegible]
Lloyds TSB	[illegible]	[illegible]	[illegible]
LucasVarity	[illegible]	[illegible]	[illegible]
Marks & Spencer	[illegible]	[illegible]	[illegible]
NatWest Bank	[illegible]	[illegible]	[illegible]
National Grid	[illegible]	[illegible]	[illegible]
National Power	[illegible]	510	[illegible]
Northern Rock	[illegible]	[illegible]	-1
Norwich Union	[illegible]	[illegible]	[illegible]
Orange	[illegible]	[illegible]	[illegible]
Pearson	[illegible]	[illegible]	[illegible]
P & O	[illegible]	[illegible]	[illegible]
PowerGen	[illegible]	[illegible]	[illegible]
Prudential	[illegible]	[illegible]	[illegible]
Railtrack	[illegible]	[illegible]	[illegible]
Reckitt & Colman	[illegible]	[illegible]	[illegible]
Reed Intl	[illegible]	[illegible]	[illegible]
Rentokil Initial	[illegible]	[illegible]	[illegible]
Reuters	[illegible]	[illegible]	[illegible]
Rio Tinto	[illegible]	[illegible]	[illegible]
Rolls-Royce	[illegible]	[illegible]	[illegible]
Royal & Sun Alliance	[illegible]	[illegible]	[illegible]
Royal Bank Scotland	[illegible]	[illegible]	[illegible]
Safeway	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]
Schroders	[illegible]	[illegible]	[illegible]
Schroders N/V	[illegible]	[illegible]	-4
Scottish & Newcastle	[illegible]	[illegible]	[illegible]
Scot. & Sthn Energy	[illegible]	[illegible]	[illegible]
Scottish Power	[illegible]	[illegible]	
Severn Trent	[illegible]	[illegible]	[illegible]
Shell Transport	[illegible]	[illegible]	[illegible]
SmithKline Beecham	[illegible]	[illegible]	[illegible]
Smiths Inds.	[illegible]	[illegible]	
Stagecoach	[illegible]	[illegible]	[illegible]
Standard Chartered	[illegible]	[illegible]	[illegible]
Sun Life & Provincial	[illegible]	[illegible]	[illegible]
Telewest Comms	[illegible]	[illegible]	[illegible]
Tesco	[illegible]	[illegible]	[illegible]
Thames Water	[illegible]	[illegible]	[illegible]
Tomkins	[illegible]	[illegible]	[illegible]
Unilever	[illegible]	[illegible]	[illegible]
Utd News & Media	[illegible]	[illegible]	[illegible]
United Utilities	[illegible]	[illegible]	[illegible]
Vodafone	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Whitbread	[illegible]	[illegible]	[illegible]
Wolseley	[illegible]	[illegible]	[illegible]
Woolwich	[illegible]	[illegible]	[illegible]
Zeneca	[illegible]	[illegible]	[illegible]

Based on trading volume for the FTSE 100 constituent companies [illegible] until 4.30pm. † Indicates a FTSE [illegible]. All figures are in thousands. Source: [illegible]

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Feb 17) 1 € = 13.76030 Sch

BELGIUM/LUX (Feb 17) 1 € = 40.33990 Frs.

FINLAND (Feb 17) 1 € = 5.94573 Mka

FRANCE (Feb 17) 1 € = 6.55957 Frs.

GERMANY (Feb 17) 1 € = 1.95583 Dm.

IRELAND (Feb 17) 1 € = 0.78756 Punt

ITALY (Feb 17) 1 € = 1936.27000 Lire

NETHERLANDS (Feb 17) 1 € = 2.20371 Fl.

PORTUGAL (Feb 17) 1 € = 200.48200 Esc.

SPAIN (Feb 17) 1 € = 166.38600 Pta.

EUROPE (NON-EMU)

CZECH REP (Feb 17 / Koruna)

DENMARK (Feb 17 / Kr)

GREECE (Feb 17 / Drachma)

NORWAY (Feb 17 / Kroner)

POLAND (Feb 17 / Zloty)

SWEDEN (Feb 17 / Kronor)

SWITZERLAND (Feb 17 / Frs.)

TURKEY (Feb 17 / Tk Lira)

PACIFIC

JAPAN (Feb 17 / Yen)

AUSTRALIA (Feb 17 / Aust$)

HONG KONG (Feb 15 / H.K.$)

INDONESIA (Feb 17 / Rupiah)

MALAYSIA (Feb 12 / MYR)

NEW ZEALAND (Feb 17 / NZ $)

SINGAPORE (Feb 15 / S$)

SOUTH KOREA (Feb 12 / Won)

TAIWAN (Feb 10 / TW $)

THAILAND (Feb 17 / Baht)

AMERICAS

CANADA

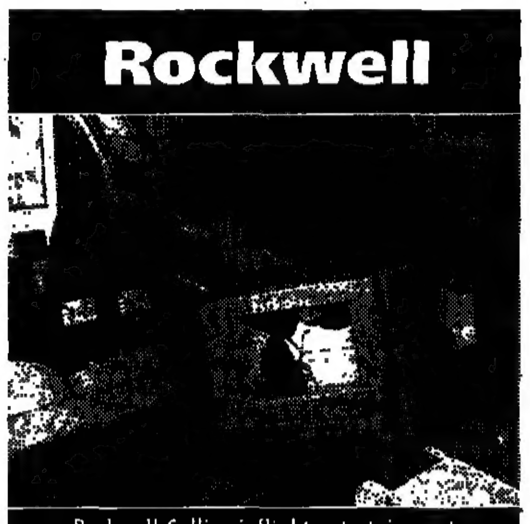
TORONTO (Feb 17 / Can $)
4 pm close

MONTREAL (Feb 17 / Can $)
4 pm close

MEXICO (Feb 17 / Peso)
12.30 pm

AFRICA

SOUTH AFRICA (Feb 17 / Rand)



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 16 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 15 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	208.67	-2.0	189.40	155.88	214.94	217.64	-0.7	3.38	212.94	193.87	155.50	218.23	218.24	219.96	163.86	200.93
Austria (21)	180.49	1.9	163.82	134.83	164.05	164.05	2.4	2.03	177.14	161.28	129.36	160.19	160.19	253.73	165.27	197.54
Belgium (22)	397.28	-0.5	360.56	296.75	353.50	353.50	0.0	1.91	399.18	363.44	291.50	353.43	353.43	446.95	274.11	274.11
Brazil (29)	107.59	0.0	97.66	80.37	110.83	376.29	0.0	8.17	107.59	97.96	78.57	110.27	376.29	269.34	89.32	231.15
Canada (113)	202.44	-1.6	183.74	151.22	208.52	219.75	-1.2	1.80	205.77	187.35	150.26	210.88	222.48	248.78	159.94	220.66
Denmark (34)	451.25	-0.7	409.57	337.08	464.80	408.25	-0.2	1.73	454.34	413.65	331.78	465.62	409.08	537.33	420.12	458.98
Finland (29)	603.51	0.3	547.77	450.82	673.61	673.61	0.8	1.69	601.68	547.80	439.38	668.19	668.19	661.25	329.77	329.77
France (74)	317.59	-0.5	288.25	237.24	292.31	292.31	0.0	2.10	319.23	290.64	233.11	292.34	292.34	354.45	250.06	250.06
Germany (55)	260.82	-0.1	236.73	194.84	237.23	237.23	0.4	1.39	261.08	237.70	190.65	236.26	236.26	325.61	226.35	241.77
Greece (36)	421.52	-1.9	382.59	314.88	434.18	870.23	-1.4	0.98	429.65	391.18	313.75	440.33	882.21	429.65	211.47	-
Hong Kong, China (66)	277.70	0.0	252.05	207.44	286.04	276.25	0.0	4.42	277.68	252.81	202.77	284.58	276.25	362.55	196.64	325.75
Indonesia (24)	48.61	-0.8	44.12	36.31	50.07	260.20	0.6	1.18	49.02	44.63	35.80	50.24	258.62	64.52	19.04	41.61
Ireland (14)	550.40	1.4	499.56	411.15	546.35	546.35	1.9	1.75	543.06	494.43	396.57	536.36	536.36	605.85	396.15	449.05
Italy (53)	162.90	-2.1	147.86	121.69	210.72	210.72	-1.6	1.51	166.43	151.53	121.53	214.19	214.19	192.64	128.68	134.18
Japan (445)	97.27	-1.6	88.29	72.66	100.19	72.66	0.6	1.03	98.89	90.03	72.21	101.34	72.21	107.82	76.83	105.23
Mexico (29)	1208.43	1.5	1096.82	902.70	1244.72	13116.59	1.4	1.95	1190.76	1084.13	869.55	1220.35	12934.54	1733.73	787.15	1544.18
Netherlands (26)	484.22	-0.9	439.50	361.71	435.65	435.65	-0.4	2.18	488.52	444.77	356.74	437.30	437.30	562.73	394.92	425.71
New Zealand (18)	63.78	-1.2	57.89	47.64	65.69	62.92	0.4	4.64	64.53	58.75	47.12	66.13	62.68	77.84	45.68	75.68
Norway (37)	231.53	-1.1	210.14	172.95	238.48	242.85	-0.2	2.45	234.10	213.14	170.95	239.92	243.11	357.71	181.86	299.71
Philippines (22)	84.83	0.8	77.00	63.37	87.38	162.77	0.4	1.00	84.15	76.62	61.45	86.24	162.09	106.98	42.48	83.69
Portugal (18)	253.21	-0.5	229.82	189.15	310.80	310.80	0.0	1.06	254.49	231.70	185.84	310.80	310.80	299.39	194.13	-
Singapore (40)	197.85	-0.3	179.58	147.80	203.79	154.77	0.0	1.80	198.55	180.77	144.99	203.49	154.77	246.74	102.45	197.49
South Africa (35)	189.76	-0.4	172.24	141.75	195.46	254.88	-0.1	3.48	190.46	173.41	139.08	195.20	255.19	346.20	151.55	275.65
Spain (30)	380.26	-1.5	345.14	284.05	428.75	428.75	-1.0	1.88	386.19	351.61	282.01	433.24	433.24	435.19	290.81	302.38
Sweden (43)	526.79	0.7	478.13	393.51	542.61	618.82	1.1	1.90	522.96	476.13	381.89	535.96	611.76	628.19	379.18	498.49
Switzerland (30)	392.79	-0.1	356.51	293.41	404.59	348.25	0.4	1.28	393.32	358.10	287.22	403.10	346.72	441.65	307.73	374.87
Thailand (31)	22.46	0.5	20.38	16.77	23.13	32.18	0.9	2.74	22.33	20.33	16.31	22.89	31.89	33.84	8.15	26.70
United Kingdom (201)	387.44	1.8	351.65	289.41	399.07	351.65	1.3	2.77	381.33	347.19	278.47	390.81	347.19	401.84	307.96	358.87
USA (613)	511.89	0.9	464.61	382.38	527.26	511.89	0.9	1.28	507.22	461.80	370.40	519.82	507.22	527.72	390.12	416.85
Americas (784)	454.08	0.8	412.12	339.18	467.70	385.43	0.8	1.32	450.32	409.99	328.84	461.51	382.21	467.90	347.59	377.53
Europe (723)	351.96	0.2	319.45	262.92	362.53	329.15	0.4	2.07	351.35	319.89	256.58	360.08	327.82	386.24	282.63	310.78
Eurobloc (342)	99.88	-0.7	90.65	74.61	98.32	98.32	-0.2	1.79	100.58	91.57	73.45	98.51	98.51	113.92	81.53	-
Nordic (143)	498.95	0.3	452.86	372.71	513.93	508.69	0.8	1.85	497.55	452.99	363.33	509.91	504.82	555.97	360.04	436.38
Pacific Basin (721)	104.79	-1.5	95.11	78.28	107.94	80.78	0.4	1.57	106.39	96.86	77.69	109.04	80.41	117.89	82.88	113.45
Euro-Pacific (1444)	207.55	-0.3	188.38	155.04	213.79	174.06	0.4	1.93	208.20	189.56	152.04	213.38	173.34	221.79	166.00	195.76
North America (726)	490.91	0.8	445.56	366.71	505.65	491.70	0.8	1.30	486.86	443.26	355.53	498.96	487.58	506.43	374.92	404.31
Europe Ex. UK (522)	323.11	-0.5	293.27	241.36	332.81	308.49	0.0	1.71	324.90	295.80	237.26	332.97	308.61	366.32	260.93	278.15
Europe Ex. Eurobloc (381)	97.98	1.1	88.93	73.19	100.92	98.68	1.0	2.36	96.95	88.27	70.80	99.36	97.68	109.93	77.40	-
Europe Ex. UK Ex. Eurobloc (180)	96.41	-0.1	87.51	72.02	99.31	94.65	0.4	1.46	96.50	87.86	70.47	98.90	94.24	109.21	75.16	-
Pacific Ex. Japan (276)	177.50	-1.0	161.11	132.59	182.83	180.50	-0.3	3.63	179.32	163.27	130.95	183.78	181.06	216.04	128.26	192.92
World Ex. Eurobloc (1921)	105.12	0.5	95.41	78.53	108.28	104.17	0.8	1.56	104.58	95.22	76.37	107.18	103.34	108.05	83.09	-
World Ex. US (1650)	206.88	-0.3	187.77	154.54	213.09	178.93	0.3	1.95	207.61	189.02	151.61	212.77	178.31	221.91	165.95	198.98
World Ex. UK (2062)	297.31	0.2	269.85	222.09	306.24	267.64	0.8	1.45	296.79	270.21	216.73	304.16	266.10	311.48	238.11	260.68
World Ex. Japan (1818)	408.36	0.6	370.65	305.05	420.63	401.27	0.7	1.66	[illegible]	369.78	296.59	416.24	398.65	427.99	320.58	351.05
The World Index (2263)	305.06	0.3	276.89	227.88	314.23	275.32	0.7	1.59	304.07	276.84	222.05	311.63	273.53	318.51	242.36	268.89

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Emerging markets:

IFC investable indices

Dollar terms

Feb 16 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	753.71	-0.2	-6.5
Brazil	223.74		-18.7
Chile	455.61	+0.6	+3.2
Colombia[1]	373.20		-15.1
Mexico	508.66	+1.2	+5.9
Peru[2]	135.13	+0.9	+0.8
Venezuela[3]	373.35		-17.6
East Asia			
China[4]	22.66		-12.6
India[7]	70.27	+1.1	+9.5
Indonesia[6]	22.53	-0.7	-6.9
Korea[5]	51.78		-2.3
Malaysia	88.91		+0.4
Pakistan[8]	86.47	-0.3	-8.6
Philippines	116.53	+0.7	-5.3
Sri Lanka[10]	73.86	-0.1	-10.3
Taiwan, China[9]	108.06		-8.7
Thailand	80.84	+1.0	-3.7
Europe			
Czech Rep	43.85	+0.6	-13.6
Greece	749.75	-2.7	+20.9
Hungary[11]	285.32	+0.3	+1.7
Poland[12]	529.84	-0.0	+1.2
Portugal	266.52	-0.5	-1.9
Russia	28.37	+3.8	+21.0
Slovakia	44.55	-0.2	+2.2
Turkey[14]	176.56	+9.0	+20.7
Mideast/Africa			
Egypt	75.69	-0.8	+19.0
Israel	103.95	+1.5	+1.7
Jordan	236.08	-0.7	+0.0
Morocco	171.11	-0.1	+2.1
S Africa[13]	131.56	-0.4	+5.1
Zimbabwe[15]	104.25	-1.1	-1.0
Regions			
Composite	187.02	+0.3	+0.1
Latin America	398.59	+0.5	-5.0
Asia	102.55	+0.2	-4.2
EMEA	123.45	+0.2	+8.0
Europe	165.65	+0.3	+10.6
Eastn Europe	60.15	+1.0	+3.5
ME & Africa	58.31	-0.0	+5.0
Comp + Malay	189.81	+0.3	+0.2
Asia + Malay	104.58	+0.1	-3.2

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

Prices supplied by Financial Times Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close February 17

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

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IN.SECTS (Pan European Sector Indices from **EuroBench®**)

The IN.SECTS - pan European equity sector indices from EuroBench® - contain only those liquid stocks that show strong sectoral behaviour in their price-movements. Therefore, the indices really represent the core sector trend. Using the correlation of each constituent with the sector trend to weight the constituents, an even weighting is achieved ensuring maximal diversification while offering the best sector tracking available. (Values preceded with IK = indicative).

EuroBench is an independent index provider based in Brussels. Full information on the IN.SECTS and EuroBench is available on WWW.EURO-INSECTS.COM and WWW.EUROBENCH.COM. A free daily Email service can be subscribed to. For hard copy information and professional and private investor brochures call + 32 2 509 9480 or fax + 32 2 509 1389

Price data supplied by Financial Times Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. § Dealings suspended

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Feb 16	Feb 15	Feb 12	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9297.08	(c)	9274.89	9643.32 (9/1/99)	7539.07 (31/8/98)	9643.32 (9/1/99)	41.22 (8/7/32)
Home Bonds	105.38	(c)	105.54	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3120.76	(c)	3058.89	3686.02 (16/4/98)	2345.00 (9/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	288.21	(c)	286.44	320.51 (8/10/98)	262.86 (9/1/98)	320.51 (8/10/98)	10.50 (8/7/32)

DJ Ind. Day's High 9405.46 (-) Low 9187.10 (-) (Theoretical)
Day's High 9307.60 (-) Low 9234.73 (-) (Actual)

Standard and Poors	Feb 16	Feb 15	Feb 12	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1241.87	(c)	1230.13	1279.64 (29/1/99)	927.69 (8/10/98)	1279.64 (29/1/99)	4.40 (1/6/32)
Industrials‡	1502.28	(c)	1492.20	1561.65 (29/1/99)	1077.40 (8/10/98)	1561.65 (29/1/99)	3.52 (30/6/32)
Financial‡	138.51	(c)	127.27	147.89 (14/7/98)	95.80 (8/10/98)	147.89 (14/7/98)	7.13 (4/6/74)
Others							
NYSE_Comp.	588.73	(c)	581.46	611.06 (9/1/99)	477.50 (8/10/98)	611.06 (9/1/99)	4.64 (25/4/42)
Amex Comp	695.84	(c)	688.12	753.67 (22/4/98)	593.75 (8/10/98)	753.67 (22/4/98)	324.20 (18/7/96)
NASDAQ Cmp	2313.87	(c)	2321.89	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	385.40	(c)	388.44	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.38 (7/12/88)

■ RATIOS

	Feb 12	Feb 5	Jan 29	Year ago
Dow Jones Ind. Div. Yield	1.68	1.65	1.64	1.88
	Feb 10	Feb 3	Jan 27	Year ago
S & P Ind. Div. yield	1.15	1.10	1.12	1.42
S & P Ind. P/E ratio	38.00	39.56	38.57	27.61

US DATA

■ MARKET ACTIVITY

● Volume (million)	Feb 16	Feb 12	Feb 11
NYSE	669.700	691.550	815.080
Amex	25.381	25.691	20.228
NASDAQ	888.895	842.880	900.387

NYSE	Feb 16	Feb 12	Feb 11
Issues Traded	3,537	3,537	3,566
Rises	1,525	805	1,781
Falls	1,534	2,283	1,180
Unchanged	478	458	595
New Highs	31	18	21
New Lows	132	162	184

■ NYSE TRADING ACTIVITY

Volume : 853,760,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Compaq	12,415,100	42⅞	-⅛
PhMorr	10,024,800	39⅝	-⅛
AmOnLine	9,711,000	100⅝	+2¼
BellSth	7,201,200	46⅝	+4⅞
LucentTch	6,691,500	99	+1⅞
AT&T	5,808,800	84⅞	-1⅛
Citigrp	5,395,800	53¼	+1⅛
Cendant	4,711,700	17	
WellsF	4,306,000	35⅛	+⅛
ChaseM	4,812,800	77⅞	+2¾

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Maxxim	42¾	+7¼	+20.3
WellPtHlth	131⅛	+13⅛	+11.5
BellSth	46⅝	+4⅞	+10.8
AmbNKLI	18¾	+1⅞	+10.4
Downs			
ComAt	11⅜	-1⅛	-8.9
Cascade	12⅝	-1⅛	-8.8
Federal Sg	23⅛	-2⅛	-8.0
CompTek	19⅞	-1⅝	-7.3

■ NASDAQ TRADING ACTIVITY

Volume : 828,865,000

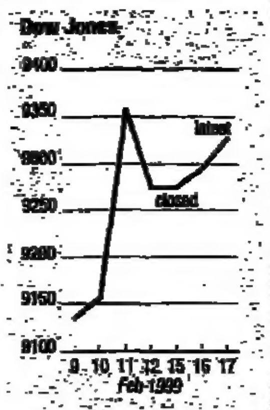
■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
DellComp	47,832,700	88¾	-1⅛
Micsft	18,377,900	155¾	-1⅞
MCIWcm	15,933,800	83	+3⅛
Intel	14,615,500	128¾	-⅜
Yahoo	14,520,400	133⅝	-17⅝
CiscoSys	13,097,800	98¼	
Oracle	10,080,800	53¼	-3⅛
ApplMat	8,285,300	60⅝	+1⅛
SunMic	7,460,800	100⅛	
3Com	6,645,800	31⅝	-⅛

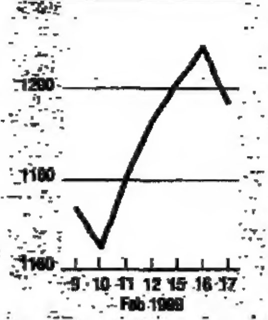
■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
TrndwsHlss	15⅝	+3	+24.0
SCM Micro	93⅝	+12⅝	+15.6
Sant Bncl	28⅛	+3⅛	+12.4
CostCoWh	30⅛	+3⅛	+11.1
Downs			
Inter Tel	19⅞	-3	-13.2
CarbonHlth	20⅝	-2⅞	-12.7
Cmptrk	15	-2⅛	-12.1
Yahoo	133⅝	-17⅝	-11.7

Dow Jones



FTSE Eurotop 300



JAPAN

	Feb 17	Feb 16	Feb 15	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	14158.87	14232.84	14054.72	17264.3	12880	38915.9	85.25

Day's high: 14407.35. Day's low: 14146.64.

■ TOKYO TRADING ACTIVITY

Volume : 400,160,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Sumitml	9,733,000	113	+3
BTokM	9,465,000	1879	-12
Daiwabc	8,653,000	436	+7
NEC	8,457,000	1095	-1
SumTrB	6,430,000	303	+2
MHvy	5,918,000	435	+11
Sekisui	5,635,000	364	-7
Mosaik	5,378,000	424	+4
Chyoda	5,148,000	238	-14
MitEst	4,858,000	1080	+8

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
KokusMl	510	+35	+7.4
Pioneer	2115	+120	+6.0
MitMotr	371	+20	+5.7
Calsonic	335	+18	+5.7
Downs			
TkaiCb	240	-17	-6.6
JkegTs	225	-15	-6.2
MitEsS	108	-7	-6.1
JEOL	542	-35	-6.1

GERMANY

	Feb 17	Feb 16	Feb 15	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	4810.09	4904.68	4879.55	6171.43	3896.08	6171.43	931.18

Day's high: 4865.31. Day's low: 4780.79.

■ FRANKFURT TRADING ACTIVITY

Volume : (u)

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Bayer	428,129	30.4	-0.2
Cmmzbk	348,763	24.9	-0.4
Dt Bk	309,245	46	-0.35
Siemens	281,210	58.2	-1.25
Veba	272,316	50.7	-1.4
DmlrCh	261,197	84.2	-1.1
Dt Tel	257,904	38.2	-2.2
Hchst	219,059	40.3	-0.25
Lufthn	210,086	18.55	-0.6
BASF	199,471	30.3	-0.32

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Phoenix	15.8	+0.7	+4.6
Sixt	56	+2	+3.7
Varta	142	+5	+3.6
Downs			
Dt Tel	38.2	-2.2	-6.7
BayHyV	52.8	-2.5	-4.5
BEA	21.2	-1	-4.5
Douglas	43	-2	-4.4
BrauBr	57.5	-2.5	-4.2

FRANCE

	Feb 17	Feb 16	Feb 15	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	3985.48	4052.32	4065.19	4388.48	2882.54	4388.48	984.61

Day's high: 4030.22. Day's low: 3959.78

■ PARIS TRADING ACTIVITY

Volume : 837,913,340

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
FrTele	1,594,396	73.6	-2.8
RhonPA	1,328,332	41.11	-0.59
Usinor	1,172,623	11.9	-0.1
Equant	1,172,128	65.8	-0.95
Paribas	790,558	83.05	-0.1
TotalB	740,229	93.5	-1
STMicro	734,048	80.45	-1.05
ElfAqu	703,200	97.5	-0.9
MichlnB	569,798	41.05	+0.65
Axa	669,437	119.1	-1.4

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Esso	72	+5	+7.5
Labinl	174.2	+7.2	+4.3
Downs			
Grdlein	20.53	-1.87	-8.3
Clarin	84.3	-4.3	-6.3
Rhodia	12.2	-0.8	-6.2
UnAsFd	108.3	-5.7	-5.0
Cimfnt	51.5	-2.6	-4.8
Carrnd	62.7	-3.05	-4.6

UK

	Feb 17	Feb 16	Feb 15	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	6078.4	6108.6	6023.2	6179	4648.7	6179	986.9

Day's high: 6111.9. Day's low: 6040.7

■ LONDON TRADING ACTIVITY

Volume : 985,500,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Coats Viyella	31,883,330	30	+3¼
GRE	28,082,780	358	-4½
Tesco	23,582,300	177¾	-1½
BP Amoco	20,524,320	840	-16½
ASDA	19,377,870	154½	-2
Br Telecom	18,587,830	1068½	+13
Woolwich	16,586,880	384¾	+19¼
Shell	13,784,580	319	-8½
Centrica	12,892,430	113	-2¼
Freepages	11,845,720	30	

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Danellron	21	+5	+31.3
Vans Net	80	+15	+23.1
DBS Mngmt	121½	+22	+22.1
Reed Exec	119	+19	+20.9
Skillsw	137	+23½	+20.7
Downs			
AB Airlines	35	-12	-25.5
Pigeard	22½	-5	-18.2
Schroem C	81	-15	-13.6

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	1236.00	1233.10	-8.10	1238.00	1231.20	98,442	385,401
Jun	-	1253.90	-	-	1248.00	1,880	13,167
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	14410.0	14150.0	-80.0	14420.0	14150.0	24,332	193,821
Jun	14330.0	14030.0	-80.0	14330.0	14030.0	1,120	37,561

Open interest figures for previous day.

■ CAC-40 (250 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	4024.5	4007.00	-54.0	4040.0	3968.0	65,701	116,555
Mar	4034.0	4014.50	-54.0	4048.0	3980.0	5,290	623,730
■ DAX							
Mar	4875.0	4880.5	-71.5	4879.0	4777.0	51,438	204,371
Jun	4872.5	4857.5	-67.5	4876.5	4810.0	3,839	68,302

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	717.00	713.25	-8.25	718.00	710.00	18,879	132,832
Mar	715.00	712.00	-8.50	716.50	709.00	5,125	8,082
■ EUREX							
Mar	6985.0	7040.0	+18.0	7055.0	6930.0	28,840	132,321
Jun	6913.0	6963.0	-9.00	6963.0	6863.0	302	4,290

WORLD MARKETS AT A GLANCE

Country	Index	Feb 17	Feb 16	Feb 15	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	18590.80	18599.90	18582.19	23485.50 23/3/98	12303.19 10/9/98	4.15	12.1
	Posted modest gain as Wall Street opened lower but off expected lows.							
Australia	All Ordinaries	2862.2	2859.4	2877.5	2940.50 4/2/99	2468.38 1/9/98	3.05	22.4
	All Mining	578.7	583.1	587.8	713.19 23/4/98	499.80 31/8/98		
	Overnight rise on Wall Street and stream of company results helped market rebound.							
Austria	ATX Index	1137.14	1143.97	1114.30	1628.66 28/5/98	982.06 1/10/98	2.11	11.5
	Investors kept to sidelines ahead of Bank Austria's results after market's close.							
Belgium	BEL20	3375.08	3403.37	3408.03	3681.92 6/1/99	2357.78 10/1/98	1.55	24.5
	Small investors piling in on small and mid-caps lift market ahead of European peers.							
Brazil	Bovespa	(c)	(c)	(c)	12298.00 15/4/98	4761.80 10/9/98	na	na
	Rose modestly as investors returned after Carnival holiday.							
Canada	TSE 100◆	391.74	390.39	394.27	475.65 25/5/98	324.81 5/10/98	1.58	18.5
	Metals Mnls◆	2905.70	2943.31	3022.01	4390.01 10/3/98	2500.10 31/8/98		
	TSE300Comp◆	6585.30	6586.48†	6447.58	7822.30 22/4/98	5335.70 5/10/98		
	Portfolio§§	3442.88	3415.88	3438.90	3895.81 25/5/98	2718.24 5/10/98		
	Gains in bank stocks were offset by weakness in resource issues.							
Chile	IGPA Gen▼	3793.48	3787.47	3783.14	4981.86 12/3/98	3590.85 14/8/98	3.3	12.4
	Flat as bout of profit-taking failed to materialise following afternoon gains on Wall Street.							
China	Shanghai B	(c)	(c)	24.44	58.58 10/2/98	24.18 8/2/99	1.74	28.2
	Shenzhen B	(c)	(c)	45.85	98.97 10/2/98	44.73 4/2/99		
Colombia	IBB	925.90	928.58	922.05	1431.46 7/1/98	776.17 14/10/98	na	na
Czech Republic	PX 50	373.9	377.4	376.1	517.38 23/3/98	316.00 8/10/98	na	na
	Activity returned but losses in Germany and New York weighed on sentiment.							
Denmark	CopenhagenSE	606.09	608.63	608.91	778.84 7/4/98	596.85 9/10/98	1.68	17.3
	Four per cent gain for main market constituent, Novo Nordisk, following healthy 1998 results lifted market higher.							
Egypt	Cairo SE Gen	438.24	(u)	438.9	447.82 1/2/99	345.40 2/2/98	na	na
	News of capital increase by MobiNil weighed on stock and damped market sentiment.							
Finland	Hex General	5812.59	5967.23	5910.43	6293.08 20/1/99	3228.43 12/1/98	1.8	21.9
	Tumbled on back of falls in telecom and IT stocks after poor morning performance in Wall Street.							
France	SBF 250	2526.98	2582.46	2583.79	2788.73 17/7/98	1878.10 12/1/98	2.26	21.1
	CAC 40	3985.48	4052.32	4065.19	4388.48 17/7/98	2882.54 12/1/98		
	Weakness in defence industry and oil stocks dragged market lower.							
Germany	FAZ Aktien	1546.59	1569.99	1549.89	1946.80 20/7/98	1250.90 2/10/98	1.4	19
	DAX‡	4810.09	4904.68	4879.55	6171.43 20/7/98	3896.08 8/10/98		
	Retreats by heavyweight Deutsche Telekom and Deutsche Bank pulled market downward before partial last-minute recovery.							
Greece	Athens General	3430.46	3398.83	3468.95	3488.95 15/2/99	1380.13 29/1/98	1.37	27.2
	FTSE/ASE 20	2130.31	2128.45	2165.46	2182.48 15/2/99	736.18 29/1/98		
	Recovered half of Tuesday's losses with industrial stocks at the forefront.							
Hong Kong	Hang Seng	(c)	(c)	9402.39	11926.80 25/3/98	6660.42 13/8/98	3.95	12.4
	HSCC Red Chip	(c)	(c)	714.10	1775.89 27/2/98	578.07 1/9/98		
Hungary	Bux	6171.36	6379.48	6327.23	9816.36 23/4/98	3775.02 21/8/98	na	na
	Ballooning current account deficit and foreign investors scrambling for the exit.							
India	BSE Sens.	3336.42	3344.58	3315.08	4280.96 21/4/98	2764.16 20/10/98	na	na
	S & P CNX 500	681.42	670.26	694.56	815.92 21/4/98	557.06 20/10/98		
	Recovered from lows as fears of political shake-up receded.							
Indonesia	Jakarta Comp.	397.87	398.84	398.62	554.18 2/2/98	256.83 21/9/98	2.47	19.9
	TelKom weighed on market in extremely thin trading.							
Ireland	ISEQ Overall	5240.04	5310.46	5235.76	5471.81 21/4/98	3745.11 8/10/98	1.94	18.9
	Allied Irish Banks shed 4 per cent despite reporting strong profits growth in 1998.							
Israel	Tel Aviv 100	295.85	298.36	294.77	337.43 8/6/98	249.18 8/10/98	na	na
	Corrected downwards after two sessions of gains.							
Italy	BCI Comit 30	335.81	337.59	343.45	388.60 20/7/98	248.51 9/10/98	2.08	23.7
	Banca Com Ital	1439.15	1482.84	1455.61	1654.38 7/4/98	1089.80 9/10/98		
	Mibtel General	22882.0	23162.0	23508.0	26377.00 6/4/98	16781.00 9/10/98		
	Gains in banking stocks, amid talks of sector restructuring, failed to brush aside rest of market.							
Japan	Nikkei 225	14158.87	14232.84	14054.72	17264.30 2/3/98	12880.00 9/10/98	0.98	50.4
	Nikkei 300	219.00	219.85	218.39	257.43 10/2/98	182.50 9/10/98		
	Topix	1097.08	1101.88	1085.02	1380.38 10/2/98	980.11 15/10/98		
	2nd Section	1223.70	1230.79	1234.29	1401.27 13/2/98	1038.84 13/10/98		
	Unwinding of cross-holdings sent market slightly lower.							
Jordan	Amman SE	181.45	182.31	182.73	194.52 17/6/98	159.46 18/11/98	na	na
Malaysia	KLSE Comp.	(c)	(c)	(c)	745.38 27/2/98	262.70 1/9/98	2.54	14.9
Mexico	IPC	4182.40	4159.04	4103.60	5304.86 2/1/98	2856.18 10/9/98	1.44	15.1
	Trading in positive territory following in Wall Street's tail.							
Morocco	CFGA	835.04	835.85	835.43	889.38 1/9/98	669.57 21/1/98	na	na
	Société Nationale d'Investissement and Wafabank lost ground, dragging market in their fall.							
Netherlands	CBS TRtnGen	1249.5	1270.5	1275.1	1483.09 20/7/98	874.90 8/10/98	2.16	21.7
	CBS All Shr	695.4	707.0	709.8	845.00 27/7/98	548.30 8/10/98		
	Weaker-than-expected Q4 success for US's Dell Computer depressed high-tech stores.							
New Zealand	Cap. 40	2183.25	2151.50	2147.18	2350.02 20/3/98	1688.34 2/10/98	5.22	20.5
	Weaker dollar and rash of corporate announcements kept market buoyant.							
Nigeria	SE All-Share	5403.53	5397.90	5394.85	6504.97 11/2/98	2236.40 12/1/98	na	na
	Rose for second consecutive day on good results by Cadbury and First Bank.							
Norway	Oslo SE Ind	1719.41	1748.97	1754.86	2378.86 4/5/98	1208.38 8/10/98	2.29	12.3
	Tumbled on dip in oil prices and disappointing results by Petroleum Geo-Services and Saga Petroleum.							
Pakistan	KSE-100	915.72	915.40	910.72	1748.31 2/1/98	765.73 14/7/98	na	na
	Rose sharply amid buying in energy shares by local and small investors.							
Peru	Lima Gen	1401.59	1389.86	1376.66	1869.91 4/5/98	1160.50 21/9/98	na	na
Philippines	Manila Comp	1918.57	1918.87	1910.30	2311.42 25/3/98	1082.18 11/9/98	1.39	13.4
	Attempts by investors to bid up Petron Corp left market little changed.							
Poland	Wig	14256.3	14299.5	14212.3	18582.70 11/3/98	10473.70 9/10/98	2.1	9.8
	Eased after one-day run with investors taking their cue from moves on foreign markets.							
Portugal	BVL 30	4903.53	(c)	4949.44	6176.89 22/4/98	3580.08 2/10/98	2.04	27.3
	PSI 20	11325.51	(c)	11441.74	14288.00 22/4/98	8114.91 2/10/98		
	Weakness in bank issues sent market lower at close.							
Russia	RTS	83.79	85.59	84.60	411.81 5/1/98	38.63 5/10/98	na	na
	Minor gains subsided as investors quickly turned to profit-taking.							
Singapore	SES All-S'pore	(c)	(c)	395.83	437.86 19/3/98	253.20 4/9/98	2.34	20.3
	Straits Times	(c)	(c)	1381.15	1898.75 19/3/98	805.04 4/9/98		
Slovakia	Sax	91.39	94.33	93.77	182.46 5/1/98	81.45 20/11/98	na	na
	Light but downward trading in Slovnaft dragged market lower in wafer-thin volumes.							
South Africa	JSE All Share	5971.2▼	5996.8	5901.5	8358.70 20/4/98	4694.40 11/9/98		
	JSE Gold	852.6▼	892.0	804.7	1318.80 8/10/98	622.80 18/3/98		
	JSE Ind.	6681.2▼	6899.8	6705.6	9942.70 20/4/98	6246.80 11/9/98		
	Eased despite last-minute rally on adoption of 1999-2000 budget.							
South Korea	KoreaCmpEx**	(c)	(c)	(c)	640.85 11/1/99	280.00 16/6/98	1.19	22.6
Spain	Madrid SE	870.06	870.90	877.40	947.82 17/7/98	642.29 5/10/98	1.92	23.4
	Fixed sector issues as dealers were left to look for directions on European markets.							
Sri Lanka	CSE All Share	579.45	577.53	574.41	789.70 4/5/98	481.00 3/9/98	na	na
	Kelani Tyres rose on better-than-expected results while market ended mixed.							
Sweden	AffarsvardnGen	3349.9	3381.5	3368.9	3655.80 20/7/98	2411.70 8/10/98	2.21	20
	Building and construction sector bucked bearish trend as main index softened.							
Switzerland	SMI Index	7045.9	7015.2	6998.5	8412.80 21/7/98	5128.80 5/10/98	1.4	23
	SPI General	4450.70	4436.13	4418.12	5237.38 20/7/98	3311.28 5/10/98		
	CS Group continued to advance on takeover of Warburg Pincus Management.							
Taiwan	Weighted Pr.**	(c)	(c)	(c)	9277.09 3/3/98	5474.79 5/2/99	1.74	17.8
Thailand	Bangkok SET	339.02	350.38	344.06	558.92 3/3/98	207.31 4/9/98	2.39	42.9
	Bank, finance, and property stocks sent market in tailspin.							
Turkey	IMKB Nat 100	3821.33	3355.38	3095.02	4630.99 16/7/98	1852.28 8/10/98	3.66	12.7
	Capture of Kurdish rebel leader, Abdullah Ocalan, helped market post 17.2 per cent rise in two days.							
Venezuela	IBC	3948.29	(c)	(c)	7659.62 22/3/98	3384.70 10/9/98	na	na
	Plunged in early trading amid concerns over bulging fiscal deficit.							
Zimbabwe	ZSE Industrial	6954.57	6872.11	6889.52	8795.71 31/3/98	5441.85 1/9/98	na	na
	Industrial shares rose on bargain-hunting as fear of political unrest subsided.							
WORLD	FT/S&P World(§)	(c)	305.06	304.07	318.51 6/1/99	242.36 5/10/98	na	na
	MS Capital IntS	1138.2*	1141.1	1136.8	1195.59 6/1/99	869.50 12/1/98	na	na
CROSS-BORDER	DJ Stoxx 50	3341.41	3392.10	3381.00	3670.82 20/7/98	2432.87 8/10/98		
	DJ Euro Stx 50	3343.04	3402.21	3414.97	3985.36 6/1/99	2418.23 8/10/98		
	FTSE E300	(u)	1209.41	1201.04	1327.88 20/7/98	893.55 5/10/98		
	FTSE E100	(u)	2775.72	2754.60	3095.91 20/7/98	2049.81 8/10/98	na	na
	HSBC Drgn	(u)	210.01	210.02	273.91 26/3/98	181.71 5/10/98	na	na
	ING Emgn Enrg	(u)	116.00	115.97	123.12 7/1/99	86.84 11/9/98	na	na

** Set Feb 12: Taiwan Weighted Price (c). §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Feb 17 - 4828.42 -74.86. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation. § Yields and P/E ratios are based on Datastream Total Market Indices. § Milestone.

THE NASDAQ-AMEX MARKET GROUP

4 pm close February 17

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX

4 pm close February 17

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EASDAQ

The EASDAQ All Share Index (EASI) for 17th February: 997.37 down 2.89% Day's high: 1021.99 Day's low: 997.37

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
4Front Technologies	USD9.08		0	11.5	5.5	ICOS Vision Syst	USD11.33		1700	20.5	11.625
ActivCard	USD3.80	-0.32	93161	6.375	1.6	Innogenetics	EUR26	-0.1	59859	63.45	23.04
Algol◆	EUR5.75		0	22.853	6.843	Integr. Surg. Syst.	EUR2.95		0	6.238	2.301
Anasonic	GBP0.44	+0.01	31000	0.44	0.38	Lernout & Hauspie	USD33.5	-0.73	52666	65.25	22.75
Artwork Systems	EUR15.8	-0.4	7489	18.11	6	Mellon	EUR11.15	-0.28	46370	17.2	6.65
Autonomy Corp.	USD8.08	+0.28	333489	8.08	2.53	Memory Corporation◆	USD14.9	-0.2	5600	16.03	8.93
Chemunex◆	EUR1.31	-0.01	32500	3.43	0.828	Mercer Int'l◆	USD8.45	+0.4	0	11.76	5.75
City Bird Holding	USD7.5		990	10.3125	6.31	NetVision	EUR41	-1.83	64682	47.5	40
Dialogue Holdings	GBP1.22	-0.09	2200	3.35	0.75	NTL	USD74.3	-1.75	0	82.75	27.25
EDAP TMS	USD1.55	-0.21	21700	7	1.43	Option Int'l	USD13	-1.2	66208	67.83	11.75
EPIQ	[illegible]	+0.08	153275	5.7	2.109	Orthovita, Inc◆	USD8.1	+0.18	36455	77.825	4.5
ESAT Telecom	USD40.50	+1.5	[illegible]	53.99	14.25	Pixel Racing Syst.	EUR340.25		80	374.285	216.2
Espace Prod. Int.	EUR14.18		[illegible]	18.45	13.68	Premoteo	EUR8.65	-1.15	193480	15.202	7.13
Esprit Telecom	USD52.08	-3.35	[illegible]	58.5	10.88	Ps Tech◆	USD2.51	-0.1	21750	7.625	2.04
Fidel International	EUR27.30	-0.19	6700	50.144	19.49	Royal Olympic	[illegible]		0	15.875	2.457
FLV Fund	USD11.88	-0.05	15077	22.25	11.85	SST Syst Integrat.	EUR84.52	+2	1542	301.956	38.5
Global Graphics	EUR44.8	-0.4	2409	45.58	26.374	Schroder-Beckmann◆	EUR38.75	+0.38	4390	130.448	35.55
Global TeleSystems	USD58.8	-4.63	842	66.75	21.83	SelDaRex	EUR53	-2	95	62.5	25.84
Granger Telecom	USD7.18	-0.3	1130	27.25	6.4	Topcall Int'l◆	EUR55.68	-0.33	29303	407	48.05
Gruppo Formula	EUR11.9		665	33.828	7.36	Turbodyne Technol.◆	USD		0	16.35	2.1

Prices for 17/02/99. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at http://www.easdaq.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 3662). Annual/interim reports can be obtained for companies with a ◆ asterisked for those tests. Annual Reports Club telephone +44 181 770 0770. For further details please see Share Price pages.

STOCK MARKETS

Profit fears and pay talks restrain Europe

WORLD OVERVIEW

European bourses grabbed the stock market limelight yesterday as activity in Asia and the US seemed subdued, *writes Philip Coggan.*

Chinese New Year celebrations kept trading thin in the Asian markets, with Tokyo dribbling 0.5 per cent lower. Meanwhile, some weaker-than-expected sales at technology stalwart Dell caused only a brief wobble on Wall Street in early trading.

European markets were in negative territory for much of the day; both Frankfurt and Paris fell around 1.5 per cent.

The German stock market was unsettled by a newspaper report that Deutsche Telekom expected a fall in 1999 profits, and by slow progress in the talks between the engineering union IG Metall and the employers' association.

Agreement on too high an increase would upset the bond markets and reduce the chances of further rate cuts from the European Central Bank, which meets today.

The recent weakness of the euro relative to the US dollar has not had the kind of reviving effect on European bourses in 1999 that investors might normally have expected.

Concerns about the outlook for European corporate earnings at a time when most markets trade on price-earnings ratios that are well above 20 seem to be restraining investor confidence.

The strategy team at Credit Suisse First Boston says: "Year-on-year changes in the DM [now euro]/dollar rate have typically been a good lead indicator of the direction of earnings estimates within Europe.

"In order for earnings forecasts to catch up with currency movements during 1998, we still need to see further downgrades from analysts. Our own top-down earnings forecasts for Europe ex-UK are 8.3 per cent for 1999 and 8.7 per cent for 2000.

"However, a weaker euro gives us confidence that we will see a floor for European earnings estimates."

According to IBES International, the information group, current analysts' forecasts predict higher euro-zone earnings growth in 1999 (11.6 per cent) than in 1998 (10.2 per cent).

But IBES says this seems unlikely, given analysts' tendency to begin the year with overly bullish forecasts.

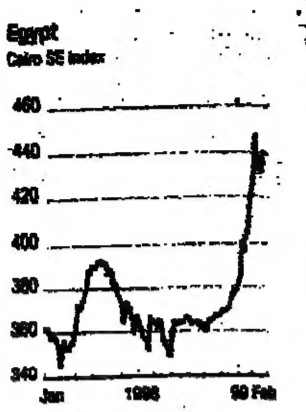
"Forecasted earnings growth rates are already in single digits for Finland, Ireland, Belgium and the Netherlands.

"With these four countries starting 1999 with such a low growth forecast, it's likely that their forecasted earnings growth will drop into negative territory later this year," says IBES.

EMERGING MARKET FOCUS

Updated systems enhance Cairo

Hopes for a faster pace of privatisations and initial public offerings from family-owned Egyptian companies rose yesterday with the announcement that the Egyptian Stock Exchange had inaugurated its automated trading, clearance, settlement and surveillance systems.


Egypt

Cairo SE index

Source: Datastream/ICV

Key to attracting the private sector to the market has been the need to assure companies that the ESE is capable of overseeing a high volume of trade while ensuring transparency.

A steady rise out of the end-of-year doldrums has in the past month reinvigorated the exchange after almost eight months in which shares declined 32 per cent before levelling out late last year.

Since mid-December, the CMA index has risen 60 to 439.9. Although activity has slowed, except in the market-leading banks, Egypt is now regarded as one of the most attractive emerging markets.

The ESE has been equipped with automated trading, exchange management and on-line and off-line surveillance capabilities that are expected to greatly bolster confidence in the institution.

The system will have a central depository function, allowing auditing and logging of accounts to validate accounts and prevent short-selling by brokers. It is expected the clearing and settlement system will become the platform for regional standards, the intention being to create permanent links between the ESE and regional exchanges.

"This system enhances the liquidity, fairness and transparency of the system," said Sameh Torgoman, chairman of the exchange.

"It will give us a strong back-office capability and equips us with a strong risk-management system. With this advanced surveillance system, we are able to identify risk and freeze trades if necessary."

The new system is expected to be working within two months, though adaptations will go on as the market develops. The installation is a major first step in the development of the ESE launched by Mr Torgoman's predecessor, Sherif Raafat, when he took over as chairman in 1997.

However, the ability of the exchange to function as an automated system relies for its success on the introduction of technology throughout the capital market, and in particular the upgrading of telecommunications and the creation of a data depository that would allow the tracking of patterns of behaviour by the market and by ESE members.

While its first priority is to increase Egyptian investors from 500,000 to 5m, ESE also aims to enhance the co-ordination of regional exchanges to aid region-wide trade and dual listings.

"We hope with this system we will play a leading role in the region, as there are many countries which have advanced sales systems like this one," Mr Torgoman said. Exchanges in Bahrain, Riyadh, Abu Dhabi, Beirut and Kuwait can in theory be connected.

Mark Huband

Tech concerns weigh heavily on Wall Street

AMERICAS

US equities were mixed at midday. Blue-chip shares managed to shake off a morning downturn, but the computer sector stayed weak, weighed down by concerns about Dell Computer and Hewlett-Packard, *writes John Labate in New York.*

By early afternoon the Dow Jones Industrial Average had gained 65.05 or 0.7 per cent at 9,362.08. The broader Standard & Poor's 500 index was 6.98 higher at 2,302.34. Despite the pick-up in major sectors, market breadth remained negative, with declining shares running ahead of advancing ones by a margin of 14 to 13 on the NYSE.

The main story in the market was the release of earnings results from Dell Computer, which posted slower-than-expected revenue growth. Dell's shares fell nearly 10 per cent in early trading but recovered a bit by early afternoon to trail $7 1/16 or 8 per cent at $81 11/16. Computer maker Hewlett-Packard, which also reported its results after the market closed on Tuesday, fell $3 11/16 or 5 per cent to $69 1/16.

The Nasdaq composite index stayed lower into afternoon trading, down 11.53 or 0.5 per cent to 2,302.34. The Russell 2000 index of small company shares also fell back, down by less than 1 point to 395.59. Semiconductor producers were stronger, with Intel up $1 1/16 to $127 1/16 in anticipation of the release of its new Pentium III chip. Texas Instruments climbed 4.3 per cent or $3 11/16 to $95½.

In the telecoms sector, Lucent Technology rose $1¼ to $99¾ after it announced a stock split. Elsewhere, BellSouth and networking company 3Com announced a new alliance aimed at the high-speed internet market. Investors gave the deal a mixed reception, sending BellSouth down $3 or more than 6 per cent to $46½ while 3Com gained $1 1/16 to $33 1/16.

Medical device producer Medtronic was the most heavily traded stock on the NYSE by midday, down $5 1/16 to $76¾ one day after the company issued financial results from a recent merger.

Transport shares were mostly higher, with Delta Air Lines up $2½ to $55 and US Airways gaining $1¾ to $46. But Trans World Airways tumbled more than 5 per cent to $5 1/16 after the company reported a loss for the fourth quarter.

TORONTO pushed higher, but broad sentiment was held in check by weak resource stocks, notably oil and gas.

Worries about international oil prices after the latest dip below $10 to the barrel sparked selling among oils. PanCanadian Petroleum shed 30 cents at C$15.50 and Imperial Oil came off 35 cents at C$23.

Golds also met with selling. Among leaders, Barrick gave up 30 cents at C$26.30 and Placer Dome shed 25 cents to C$17.30. Teck Corp dipped 5 cents to C$11.25.

The main upside features were found among banks. Royal Bank of Canada advanced C$1.45 to C$78.10 and Bank of Montreal rose C$1.15 to C$64.65. Bank of Nova Scotia added 25 cents at C$31.70.

At the noon count, the 300 composite index was up 7.32 at 6,398.80.

Bovespa plays catch-up after Carnival holiday

SAO PAULO returned from its two-day Carnival holiday in upbeat mood, sending the benchmark Bovespa index up 113 or 1.3 per cent at 9,065 at midsession.

"Its catch-up time. Volumes are not great, but everybody's watching the gains on Wall Street," said one trader.

MEXICO CITY reversed initial losses as early profit-taking after Tuesday's 1.4 per cent advance gave way to renewed buying. Brushing aside a softer tone in the foreign exchanges for the peso, the IPC index put on 20.94 at 4,179.98 by midsession.

CARACAS fell steeply as investors sold heavily in the face of weak international oil prices. At midsession, the IBC index was down 132.28 or 3.2 per cent at 3,965.89, a fresh low for the year.

SANTIAGO was little changed in low trading volumes at midsession. The IPSA index eased 0.07 to 110.82.

Paris falls through 4,000

EUROPE

A disappointing performance on Wall Street and weakness in defence stocks dragged **PARIS** 1.7 per cent lower, with the CAC-40 ending below the 4,000 mark at 3,985.49, down 66.83.

Lagardère lost €1.02 at €37.48 while Thomson-CSF, down 83 cents or 2.7 per cent to €29.75, suffered as the planned merger of Aerospatiale and Lagardère's defence arm Matra threatened to leave CSF isolated.

Oil stocks lost ground on weak oil prices before gaining ground in late trading. Total recovered from a €92 low to close €1 lower at €93.50 while Elf-Aquitaine lost 90 cents to €91.50.

Eurotunnel shed 9 cents or 6.8 per cent to €1.24 – following a 17.7 per cent rise on Tuesday – as takeover speculations subsided.

Slightly better-than-expected 1998 results, published on Tuesday, did little to prop up electrical equipment group Legrand, which closed €6.90 lower to €190.10.

The FTSE Eurotop 300 index fell 11.90 or 0.98 per cent to 1,197.51. See Euro Prices page.

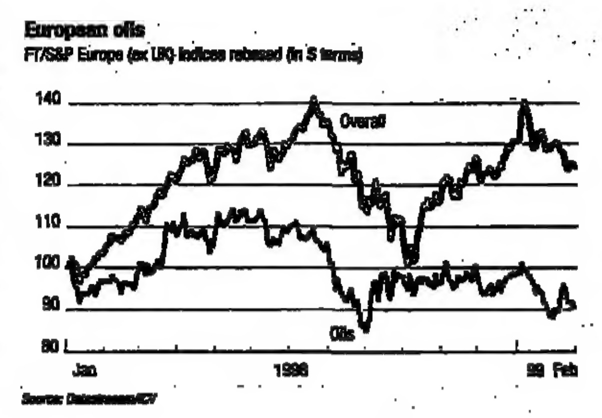
Among the day's gainers, CCF continued to thrive ahead of the sale by Mutuelles du Mans of its 7.8 per cent stake in the bank, climbing €1.85 to €81.80.

FRANKFURT clawed back heavy early losses, and the Xetra Dax index, down 124 points at one stage, ended 74.69 lower at 4,820.42.

Deutsche Telekom, under regulatory pressure recently, fell steeply on a press report that its profits performance in 1998 had been far from resilient. The shares, the largest single component within the index, ended off €1.47 at €36.20 after touching a session-low of €35.62.

Deutsche Bank lost €1 at €47.95 despite a-stronger-than-expected results statement suggesting net earnings for last year could have been well ahead of the consensus of broker forecasts.

Unsettled by a European Union probe into banks' foreign-exchange fees, Dresdner lost 89 cents at €32.60 and Commerzbank 23 cents at €25.09.


European oils

FT/S&P Europe (ex UK) indices rebased (in $ terms)

Source: Datastream/ICV

Volkswagen, caught in a cross-fire between rising European car market share in January and worries about engineering strikes, came off €1.34 at €64.11. Diversified telecoms group Mannesmann, which puts out annual figures today, gave up €3.18 at €113.30.

Machinery group Kloeckner-Werke jumped €1.5 to €62.50 on strong four-month results. Fashion group Hugo Boss hardened €20 to €1,200 ahead of tomorrow's results statement.

AMSTERDAM moved lower for a third session, dipping 8.69 or 1.7 per cent to 514.15 on the AEX index, with heavy falls among financials and a shakeout at Royal Dutch leading the market lower.

Telecoms leader KPN was the day's heaviest casualty, falling €1.70 or 3.7 per cent to €44.70. Akzo Nobel came off €1.20 at €36 and Royal Dutch, hurt by weak international oil prices, finished €1.10 lower at €37.40.

Disappointing final-quarter results from US technology benchmark Dell Computer and the subsequent early slide for the shares on Wall Street, hit both Philips and ASM Lithography.

The former shed 50 cents at €61 while ASM, off €2.75 at one stage, ended 75 cents lower at €40.15.

ZURICH ended positive after a late rally with the SMI index improving 30.7 at 7,045.9.

Extending recent gains following a $650m US acquisition, CS Holding rose a further SFr3.25 to SFr232. UBS ended SFr2.50 to SFr451.

Foods leader Nestlé was also in demand, adding SFr55 or 2.2 per cent at SFr2,600.

HELSINKI tumbled as a poor showing by the Nasdaq weighed on telecom and high-tech stocks. The Hex index was down 154.64 or 2.6 per cent to 5,812.59.

Heavyweight Nokia shed €3.70 to €116.80, while rival Sonera came back from a €15.55 low to end 4 cents lower to €16.01.

Among IT issues, seen by traders as slightly overvalued, data services company Tieto declined 20 cents to €37 while electronics contracts manufacturer Elcoteq shed 15 cents to €8.

Merging engineering groups Valmet and Rauma fell after posting profits warnings for 1999. Valmet lost €1.15 to €8.85, while Rauma shed €1.50 to €9.50.

MILAN closed 0.8 per cent lower despite a good showing by the banking sector. The Mibtel index was off 180 to 22,982.

BCI was the day's main mover, up 34 cents or 6 per cent to €5.95, recouping all its 1999 losses. There was speculation that BCI shareholders Generali and Mediobanca had asked Spain's Santander to shift its stake in San Paolo IMI to BCI.

Unicredito added 13 cents or 3.4 per cent to €4.73 after posting 1998 results in line with expectations.

Intesa put on 5 cents to €4.77 despite a statement by Giovanni Bazoli, chairman, denying he was in talks with BCI.

OSLO slid 2 per cent, taking its cue from weak oil prices. The Total share index was 20.14 lower to 971.13 as Brent blend clawed back above $10 after flirting with record lows.

Petroleum Geo-Services retreated NKr6 to NKr84, after hitting a two-year low at NKr78. The company reported positive but lower-than-expected 1998 operating profits.

Saga Petroleum, which reported a 1998 loss after posting profits in 1997, lost NKr3.50 to NKr63.

Also affected was industrial group Norsk Hydro, down NKr10 to NKr274.

Written and edited by Jeffrey Brown, Bertrand Benoit, Paul Gregan and Nicola Wilson

Tax cut fuels Jo'burg rally

SOUTH AFRICA

Johannesburg rallied strongly in the fading minutes after the South African budget brought news of a cut in corporate tax.

The all share index, which touched a session low of 5,807.9, clawed back to close at 5,871.3, down 25.5. "It's a good budget. It shows a commitment to fiscal discipline," said one broker.

Financials lost 32.7 at 8,997.0 and industrial shares finished down 18.6 at 6,681.2. Golds hardened 0.6 at 892.6.

Weak yen drags Tokyo lower

ASIA PACIFIC

Falling long-term interest rates and a weakening yen caused **TOKYO** to lose its momentum and the market moved lower for the first time in six trading days, *writes Naoko Nakamae in Tokyo.*

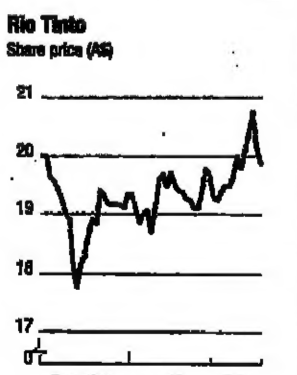
The benchmark Nikkei 225 Average fell 0.5 per cent or 73.97 to 14,158.67 after trading between 14,407.33 and 14,146.64 during the day.

Other indices were also little changed, with the weighted Nikkei 300 index losing 0.4 per cent or 0.85 at 219.00, while the broader Topix index of first-sector stocks fell 4.60 to 1,097.08. Volume was moderate at 400m shares, with 729 issues declining and 361 rising.

But exporters' shares were buoyed by the weaker yen. Mitsubishi Motor jumped 5.7 per cent or Y20 to Y371, while Bridgestone rose 4.1 per cent or Y100 to Y2,565. Canon climbed 4 per cent or Y100 to Y2,600, Sony gained 2.8 per cent or Y240 to Y8,840, and Fuji Photo Film rose 2.6 per cent or Y110 to Y4,300.

The banking sector was down for the first time in a week, losing 1.4 per cent on the day. Sakura Bank was down 2.68 per cent or Y7 to Y254, Sanwa Bank lost 1.7 per cent or Y19 to Y1,131 and Sumitomo Bank fell Y18 to Y1,390. Bank of Tokyo-Mitsubishi, the second most heavily traded stock of the day, fell Y12 to Y1,379.

In Osaka, the OSE index came off 2.66 at 14,957.55.


Rio Tinto

Share price (A$)

Source: Datastream/ICV

SYDNEY rallied, with strong gains among telecommunication and bank stocks more than making amends for a weak session among resource stocks. Rio Tinto tumbled 28 cents or 1.4 per cent to A$19.88 on the news of price cuts for iron ore shipments to Japan. BHP lost 20 cents at A$11.60.

However, financials remained firm. Westpac added 31 cents at A$10.58 and Lend Lease gained 53 cents to A$20.44. Telecoms giant Telstra rebounded 26 cents or 3.2 per cent to A$8.47. At the close, the All Ordinaries had clawed back to 2,882.2, up 22.28 and within 7 points of its session high.

WELLINGTON pushed ahead strongly on bid news and positive third-quarter results from market heavyweight NZ Telecom. The 40 capital index rose 31.75 or 1.5 per cent to 2,183.25.

Telecom added 27 cents at NZ9.27 as investors gave a warm welcome to the latest earnings figures plus news of senior management changes. Sentiment was also boosted by a cash bid for an Australian offshoot of Guinness Peat Group which ended 4 cents higher at NZ$1.89.

BANGKOK retreated further after last Friday's double-figure positive performance and a more modest rise on Tuesday, with the SET index shedding 12.34 to 338.02.

Traders said the 3.5 per cent plunge was due to profit-taking after last week's advance, pressure from a strong baht and concern about the weakening yen. But trading was light as most Asian markets remained closed for the lunar new year holiday.

Bank and financial issues took the brunt of the fall, with the sector down 6.5 per cent. Krung Thai Bank lost Bt1 to Bt15, while Securities One shed Bt0.70 to Bt6.60 and Thai Farmers Bank dropped Bt3 to Bt50.50.

Property stocks also weakened following reports, later denied, that Quality Houses, which is negotiating a restructuring of its debt, might write down its capital. The share lost Bt1.90 or 26.76 per cent to Bt5.20.

JAKARTA moved lower in minimal volumes. The main market mover was Telekom which dipped Rp50 to Rp2,850. The composite index ended off 0.87 at 397.97 after a session mostly dominated by weak attendance as a result of the holiday.

[illegible]